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GOVERNMENT AND ADMINISTRATION

Parliament

MINISTERIAL APPOINTMENTS

Following the death of Mr Anthony Crosland, the Secretary of State for Foreign and Commonwealth Affairs, on 19 February, Dr David Owen was appointed as his successor. Dr Owen was formerly Minister of State at the Foreign and Commonwealth Office.

Mr Frank Judd has been appointed to Dr Owen's former position. Mr Judd was previously Minister for Overseas Development, a position to which Mrs Judith Hart has now been appointed. Mrs Hart was Minister for Overseas Development from 1969-70 and from 1974-75.

Mr Joel Barnett, Chief Secretary to the Treasury, has become a member of the Cabinet, increasing its size from 23 to 24.

Following the new appointments, the composition of the Cabinet is as follows:

Prime Minister, First Lord of the Treasury and Minister for the Civil Service
Rt Hon James Callaghan, MP

Lord President of the Council and Leader of the House of Commons
Rt Hon Michael Foot, MP

Lord Chancellor
Rt Hon The Lord Elwyn-Jones

Chancellor of the Exchequer
Rt Hon Denis Healey, MBE, MP

Secretary of State for the Home Department
Rt Hon Merlyn Rees, MP

Secretary of State for Foreign and Commonwealth Affairs
Rt Hon David Owen, MP

Secretary of State for Education and Science and Paymaster General
Rt Hon Shirley Williams, MP

Secretary of State for Energy
Rt Hon Anthony Wedgwood Benn, MP

Secretary of State for Industry
Rt Hon Eric Varley, MP

Secretary of State for the Environment
Rt Hon Peter Shore, MP

Secretary of State for Northern Ireland
Rt Hon Roy Mason, MP

Secretary of State for Scotland
Rt Hon Bruce Millan, MP

Secretary of State for Wales
Rt Hon John Morris, QC, MP

Secretary of State for Defence
Rt Hon Frederick Mulley, MP

Secretary of State for Employment
Rt Hon Albert Booth, MP

Secretary of State for Social Services
Rt Hon David Ennals, MP

Secretary of State for Trade
Rt Hon Edmund Dell, MP

Lord Privy Seal and Leader of the House of Lords
Rt Hon The Lord Peart

Chief Secretary to the Treasury
Rt Hon Joel Barnett, MP

Minister of Agriculture, Fisheries and Food
Rt Hon John Silkin, MP

Secretary of State for Prices and Consumer Protection
Rt Hon Roy Hattersley, MP

Secretary of State for Transport
Rt Hon William Rodgers, MP

Minister for Social Security
Rt Hon Stanley Orme, MP

Chancellor of the Duchy of Lancaster
Rt Hon Harold Lever, MP

BY-ELECTION

The Conservative Party retained the seat in a by-election in the City of London and Westminster, South, on 24 February.

Mr Peter Brooke, the elected Conservative candidate, replaces Mr Christopher Tugendhat, the former member, who was recently appointed to the European Commission.

The result of the by-election was as follows:

P. Brooke (Conservative)	11,962
M. Noble (Labour)	3,997
A. Scrimgeour (Liberal)	1,981
P. Kavanagh (National Front)	1,051

Six other candidates received less than 500 votes each.

Thirty-nine per cent of the electorate voted.

Following the by-election, the strength of the parties in the House of Commons is as below. The two vacancies have been caused by the death of Mr Anthony Crosland and the appointment of Mr Roy Jenkins as President of the European Com-

mission. A by-election in Mr Jenkins's former constituency is to be held on 31 March.

Labour	310
Conservative	278
Liberal	13
Scottish National	11
United Ulster Unionists	10
Plaid Cymru (Welsh Nationalists)	3
Scottish Labour	2
Social Democratic and Labour (Northern Ireland)	1
Independent (Northern Ireland)	1
Vacancies	2
TOTAL	631

In addition, there are the Speaker of the House of Commons and his three deputies (the Chairman of Ways and Means and the first and second Deputy Chairmen of Ways and Means). They do not vote in the House of Commons except in their official capacities in the event of a tie.

Devolution in Great Britain

The Government is holding talks with all parties in Parliament on its proposals for devolution to Scotland and Wales. This follows the defeat in the House of Commons on 22 February of a timetable motion to set limits to debate on the Scotland and Wales Bill (see pp 3-7). The motion was rejected by 312 votes to 283, a majority against the Government of 29 votes.

The Lord President of the Council and Leader of the House of Commons, Mr Michael Foot, said in a statement on 24 February (*Hansard*, cols 1640-52) that despite the vote, the Government remained committed to the principle of devolution. 'We believe that devolution is essential both to satisfy the legitimate aspirations of the people of Scotland and Wales and to preserve the unity of the United Kingdom. We also believe that these objectives are met by the schemes embodied in the Scotland and Wales Bill.'

Mr Foot noted, however, that some MPs had strong reservations about particular features of the Government's proposals and that therefore the Government would invite other parties at Westminster to discuss how a wider agreement might be achieved. 'The Government envisage that it would be best to start the initial discussions on a bilateral basis but will be fully prepared to consider suggestions to place substantive talks on a wider basis if the initial discussions suggest that this would be useful.'

While the talks, welcomed by all parties in the House of Commons, are being held, examination of the Scotland and Wales Bill in committee has been suspended.

The timetable, or 'guillotine', motion was introduced because, as Mr Foot told MPs, 'it would be impossible to get the Bill on the statute book in any reasonable amount of time' without it. The motion would have limited further consideration of the Bill in the Commons to 20 days, additional to the four days on second reading and the ten days in committee already devoted to it.

In introducing the guillotine motion (*Hansard*, 22.2.77, cols 1235-43), Mr Foot observed that his proposals amounted to 'a very considerable amount of time. To the best of my knowledge it has been surpassed only once since before the first world war.'

Those voting against the guillotine included the official Conservative Opposition, 11 of the 13 Liberal members, and the United Ulster Unionists. In addition, 22 Labour MPs voted against the Government, and 21 abstained. The Scottish National Party, Plaid Cymru (Welsh Nationalists) and the two Scottish Labour members supported the timetable motion.

Referendums

During examination in committee of the Scotland and Wales Bill in the week before the vote on the guillotine motion, the Government announced that the referendums to be held in Scotland and Wales (see p 3) would be consultative only and not mandatory on Parliament.

Mr Foot told the House of Commons on 15 February: 'We envisage that after the referendums, whatever the outcome, there should be, in respect of each country separately, further positive parliamentary process necessary before the Act can be implemented or, in the alternative, can be repealed. In other words, no substantive results in regard to the Act would follow from the result of the referendums' (*Hansard*, cols 274-7). He believed that the House of Commons would accept the result of the referendums, but considered that it should have the final word on the matter.

Under present proposals, the people of Scotland and Wales respectively would be asked in referendums held after the Scotland and Wales Bill had passed through all its parliamentary stages a single question – whether they accepted the provisions of the Bill as it affected Scotland or Wales.

The Government has made clear its view that referendums held before the Bill has gone through Parliament would necessarily be on the basis of ill-defined questions. Mr Foot told the House of Commons, however, that he would be willing during the inter-party talks to listen to representations on that issue.

Northern Ireland

Recent developments concerning Northern Ireland summarised below include a speech on Government policy by the Secretary of State for Northern Ireland in which he referred particularly to industrial matters; a statement on public expenditure in the Province in light of the economic measures announced by the Chancellor of the Exchequer in December; economic developments, including investment and trade missions; plans for dealing with housing and environmental problems in Belfast; and recent Orders in Council concerning Northern Ireland.

GOVERNMENT POLICY

The belief that the image of Northern Ireland projected overseas in recent years had been misleading was expressed by Mr Roy Mason, Secretary of State for Northern Ireland, in a speech to the Foreign Press Association in London on 2 February. Stories of bombs and barricades were not a true reflection of everyday life there, he said. Through direct rule the Government was providing positive government which was in the best interests of all the citizens of Northern Ireland at this time. The Government's policy was to defeat criminality and terror from whatever source, to provide the right conditions for political progress and to maintain and strengthen the region's economy.

Mr Mason said that the Government must approach its first goal – that of achieving peace – not just by means of security measures, but by the consistent demonstration in every sphere of its determination that terrorism should not be allowed to win. As to political progress, the Government was, through direct rule, meeting an absolutely fundamental political need in Northern Ireland today – namely, the need for stability. There was a veritable whirlpool of local politics and it was essential that firm ground be established. Nevertheless, he was convinced that in due course the best constitutional solution for Northern Ireland would be a form of devolution which would command agreement across the local community.

The political leaders of Northern Ireland had not yet succeeded in reaching such agreement. They were constantly working under the tremendous pressures of the past, a fact not always appreciated by those outside the Province who from time to time blandly suggested 'solutions' from long range. He would like to give all the encouragement he could to Northern Ireland's political leaders. But eventually they would have to come to terms with one another, for the good of their own community. In the meantime, the Government was providing the essential stability and continuity of administration.

The Economy

Mr Mason said he was not talking about the 'stability of stagnation'. The Government was making every effort to cushion the effects on Northern Ireland of the general recession and to help ensure that the Province's undoubted potential for economic development was not allowed to wither. It was important that people outside Northern Ireland should realise that, despite its problems – which resulted in the unemployment rate being twice as high as national average – there were many encouraging aspects to the Province's economy.

The 'troubles', said Mr Mason, had had virtually no effect on the shop floor. The working population went about their daily business, producing and delivering the goods and playing a full part in the exports drive. Over the last year manufacturing production in Northern Ireland rose by 4 per cent compared with 2 per cent for the United Kingdom as a whole. Over the ten-year period 1965-75 there was an increase of 32 per cent in Northern Ireland compared with 14 per cent for the United Kingdom as a whole. Output in Northern Ireland was now running at 15 per cent above the level for 1969. Northern Ireland's record in industrial relations was good. During the six-year period 1970-75[1] the average number of working days lost per year per 1,000 employees through industrial disputes was 428 compared with 565 in Great Britain. Statistics for the first 11 months of 1976 showed that the annual figure for 1976 would be in the region of 90 days lost per 1,000 workers – which would put Northern Ireland in a strong position in the international league table.

These facts, combined with the extensive and valuable package of incentives offered to industrialists setting up factories in Northern Ireland, had made the Province an attractive industrial location. In May 1976 American industry had a total investment of about £100 million involving 32 different companies. During the past year major expansion plans were announced by Berkshire International, Hughes Tool Company, Goodyear, Ford Motor Company (see p 377, 1976), together with the first investment by Synthetic Industries (see below). These recent announcements involved investment of about £21 million and the creation of 1,200 jobs. Apart from American companies, Courtaulds for example, had started the build-up of their new £25 million plant near Londonderry – probably the largest of its type in Europe.

Mr Mason said that the reaction to the Quigley report, which discussed the problems and potential of the Northern Ireland economy (see p 460, 1976), had been most responsible. Political parties and both sides of industry had put forward many constructive ideas.

PUBLIC EXPENDITURE

Commenting on the statement by the Chancellor of the Exchequer on economic measures in December (see pp 22-6), Mr Roy Mason said that the figures accompanying the statement demonstrated clearly the recognition by the Government of the special needs of Northern Ireland. Out of a total reduction in public expenditure of £1,000 million in 1977-78 and £1,500 million in 1978-79, the net cuts from Northern Ireland programmes were only £5 million and £10 million respectively. In particular, the abolition of the Regional Employment Premium (see p 23) would not apply to Northern Ireland. Because of its importance to the maintenance of employment in Northern Ireland and in compensating for some of the higher costs which employers had to face, this labour subsidy would be retained at a cost of £15 million in 1977-78.

ECONOMIC DEVELOPMENTS

Investment in manufacturing industry in Northern Ireland from public and private sources totalled £171 million in 1976. Giving this figure in the House of Commons (*Hansard*, 10.2.77, written answers, col 1638), Mr Don Concannon, Minister of State in the Northern Ireland Office, said that an

[1]Later figures show that the number of working days lost through industrial disputes numbered 45,052 in 1976 compared with 245,737 in 1975.

encouraging feature was the continuing high level of investment by firms in modernisation and re-equipment. Furthermore, during 1976 a number of firms had indicated their intention to undertake new projects and expansion in the immediate future involving additional investment of over £67 million, of which almost £21 million would be carried out by major foreign-based companies.

In February an £8 million investment programme was announced by Gallaher Ltd, the cigarette and tobacco company. This sum will be spent over the next three to four years to re-equip and reorganise the company's factories in Northern Ireland. Gallaher, a wholly owned subsidiary of American Brands Inc of New York, has a total of 5,000 employees in Northern Ireland and is one of the largest employers in the Province.

It was announced in December that another American firm, Synthetic Industries of St Louis, is to take over a Government factory in Newry involving investment of £5 million. It is planned to employ some 200 workers in the conversion of polypropylene resin into tape which will be woven into a fabric for use primarily as backing for tufted carpets. The chairman of the company said that Northern Ireland presented 'interesting and compelling benefits not collectively available . . . elsewhere in the EEC'.

Work is to start in 1977 on the development of Belfast (Aldergrove) airport. The development will include the provision of additional accommodation for passengers and aircraft and provide for an improvement in public space and the reception of flights. The work is expected to continue for five years at a cost of some £10 million.

A £58 million programme to expand and modernise the telephone service in Northern Ireland over the next two years is being undertaken by the Post Office. An £18·5 million loan has been obtained from the European Investment Bank towards the cost of the project.

The growth in trade missions from Northern Ireland has been referred to recently in speeches to industrialists by Mr Don Concannon. He said that interest in exporting from the Province had never been as great as at present and missions were visiting countries which had not been traditional trading partners. Encouraging orders had resulted from participation in a textile trade exhibition in Frankfurt in January, and in February a mission visited Saudi Arabia and the Gulf States – the second to go to the Middle East. Mr Concannon said that the value of direct exports to Saudi Arabia increased tenfold in the past two years.

BELFAST RENEWAL PLAN

The establishment of a steering group to tackle the housing and environmental problems of the City of Belfast was announced on 11 February by Mr Ray Carter, Parliamentary Under-Secretary of State in the Northern Ireland Office. Under the chairmanship of Mr Carter, the group will include the Lord Mayor of Belfast and the chairman and vice-chairman of the Northern Ireland Housing Executive; its task will be to examine each area of the city and determine what should be done to improve housing and the environment. In common with cities like Liverpool and Glasgow where the inner areas have fallen into decay, Belfast faces acute problems, said the minister. In Belfast, the civil disturbances have brought additional burdens. One of the steering group's first priorities will be to establish housing action areas (see p 400, 1976). Two have already been established and it is considered that there are potentially some 60. There is a statutory requirement to consult with the local people in such areas. Expenditure over the next five years is likely to be of the order of £130 million.

RECENT LEGISLATION

Among Orders in Council concerning Northern Ireland recently approved by Parliament are the following:

Police (*Northern Ireland*) *Order 1977* (*Hansard*, 17.12.76, cols 2049-66) which introduces an independent element into the procedures for handling complaints against the police broadly similar to that to be introduced in England and Wales by the Police Act 1976 (see pp 38-9, 1976) and in accordance with the recommendations of the Report of the Working Party on the Handling of Complaints against the Police (see pp 266-7, 1976). An additional feature will be that copies of all complaints received by the Chief Constable will be sent for information to the Police Complaints Board for Northern Ireland (to be established under the legislation) as soon as they are received and before the Chief Constable has considered whether disciplinary proceedings should be brought, whereas in England and Wales complaints will be sent after the Chief Constable has made investigations.

Criminal Damage (*Northern Ireland*) *Order 1977* (*Hansard*, 23.2.77, cols 1549-58) which extends to Northern Ireland, with certain modifications, the provisions of the Criminal Damage Act 1971 applying to England and Wales (see pp 263-4, 1971) thus modernising the law relating to offences of damage to property.

Northern Ireland (*Local Elections*) *Order 1977* (*Hansard*, 23.2.77, cols 1563-86) which provides for the single transferable vote system of proportional representation to be used at future district council elections [the next is to be held on 18 May]; gives candidates at contested elections the right to send election addresses post-free; restricts postal voting to persons unlikely for specified reasons to be able to vote in person and raises the limits on candidates' expenses.

Appropriation (*No 3*) (*Northern Ireland*) *Order 1976* (*Hansard*, 9.12.76, cols 762-806) which authorises the appropriation out of the Northern Ireland Consolidated Fund of a further £61 million, the sum covered by the Autumn Supplementary Estimates. This brings the total provision for 1976-77 so far to £1,099 million, some £71 million more than the total estimates for 1975-76.

Industrial Relations (*No 2*) (*Northern Ireland*) *Order 1976* (*Hansard*, 9.12.76, cols 816-25) which extends to Northern Ireland provisions relating to the rights of employees corresponding to those enacted for Great Britain by the Employment Protection Act 1975 (see pp 212-15, 1975).

EXTERNAL AFFAIRS AND DEFENCE

Defence Policy

Britain's defence policy for the coming year is outlined in the *Statement on the Defence Estimates 1977* (Cmnd 6735, HMSO, £1·50) published on 28 February. The statement reaffirms that Britain's defence remains firmly based on the North Atlantic Alliance, and reports that as a result the concentration of defence resources on the North Atlantic Treaty Organisation (NATO) has continued during 1976. The statement reviews the current state of East-West relations, the military situation confronting NATO and the defence contribution made by Britain, and points out that substantial resources still have to be allocated to defence by the alliance since '*détente* has reduced the political tensions between East and West but has not yet resulted in a lessening of military confrontation'. The statement also sets out the areas in which savings in defence expenditure will be made as part of the overall reductions in public expenditure announced during 1976 (see pp 325-8, 1976 and pp 22-6). The statement emphasises, however, that 'the Government's overriding objective will be to keep to the minimum the effect of the reductions on our front-line contribution to the alliance', and adds that there will be early consultations with NATO on these savings.

Détente and Disarmament

The statement reviews the various sets of negotiations currently being conducted in the area of arms control and disarmament but concludes that progress during the last year was disappointing. The Governments of the United States and the Soviet Union have continued their negotiations on strategic arms limitation, seeking a new comprehensive agreement on strategic offensive weapons (see p 471, 1974). Recognising that strategic stability is essential for the further development of *détente* the statement notes that the British Government looks forward with keen interest to a successful conclusion of these negotiations.

In the negotiations on mutual and balanced reduction of forces in central Europe (MBFR) (see p 18), the agreed aim of which is to contribute to a more stable relationship in the area at a lower level of forces without damaging the security of East or West, the statement reports that progress has also been disappointingly slow. The Western side has put forward proposals designed to redress the major de-stabilising imbalances between the two sides, and the statement emphasises in particular that the proposals of December 1975, which include an offer to withdraw significant numbers of American nuclear weapons, represent a reasonable compromise between the demands on both sides. The Warsaw Pact countries, on the other hand, have not significantly modified their proposals which involve a mixture of equal percentage and equal numerical reductions and which would merely serve to give permanent status to the existing imbalances at a lower level of forces. Despite such facts as the long delay by the Eastern participants in setting out any data on force levels and their seeming reluctance to undertake the necessary manpower reductions to produce an outcome of parity between the two sides, the British Government still regards the MBFR talks as an important part of the East-West dialogue and will therefore continue to strive for a positive and successful outcome. The statement notes that, in the absence of any such agreement, Britain has no intention of reducing the forces which are maintained on the mainland of Europe in accordance with its Brussels Treaty obligations.[1]

Turning to the Conference on Security and Co-operation in Europe (CSCE), the statement points out that the signing of the Final Act of the CSCE (see pp 305-12, 1975) 'constituted an important landmark in the process of *détente*', but adds that 'the test of the success of the CSCE will, however, lie in the extent to which the provisions of the Final Act are carried out'. Progress in these fields will be reviewed by the participating states in Belgrade in the second half of 1977. Concerning the military confidence-building measures contained in the Final Act, the statement reports that, since it was signed, NATO countries have given notification of six major and seven smaller-scale manoeuvres, and that, although observers from the Warsaw Pact were invited to five of these, none attended. Warsaw Pact countries have given notice of three major manoeuvres, to which observers from the immediate vicinity were invited, and, at 24 hours' notice or less, of two smaller-scale manoeuvres.

The statement also points out that Britain is firmly committed to pursuing effective measures of arms control and disarmament at the United Nations, in the Conference of the Committee on Disarmament (CCD) in Geneva, and elsewhere. In August 1976 Britain tabled in the CCD a draft convention

[1] The Brussels Treaty was signed on 17 March 1948 and amended by a protocol signed in Paris on 23 October 1954.

on chemical weapons designed to secure a comprehensive and verifiable prohibition of the production, stockpiling and use of such weapons.

Warsaw Pact Capabilities

In spite of their public commitment to *détente* and disarmament, the nations of the Warsaw Pact continue to devote a large amount of their resources to sustain their military capability. The statement examines how this military power continues to grow both in quantity and in quality, and though there is no evidence to suggest that NATO's policy of deterrence is failing and that the Warsaw Pact is contemplating aggression against NATO, the statement declares that 'political intentions can change rapidly, whereas military capability can only be altered over a long period'.

Despite its claim to have reduced its defence expenditure, over the last three years it is estimated that the military expenditure of the Soviet Union has grown by some 5 per cent a year in real terms and now accounts for 11-12 per cent of its gross national product (GNP). This, the statement notes, is a much higher proportion of GNP than is allocated by any NATO country and 'highlights the continuing priority given to military programmes in the Soviet Union over the last decade'.

In the Soviet Northern Fleet, 'the main threat to NATO in the Atlantic', there has not only been an increase in offensive capability resulting from the introduction of nuclear-powered submarines and missile-armed warships and aircraft but also, because older vessels have been retained, overall numbers have increased. The first *Kiev* class aircraft carrier has carried out its initial deployment, and the Naval Air Force continues to bring into service the new supersonic swing-wing *Backfire* bomber.

The Soviet Union stations 14 tank divisions and 13 motor rifle divisions on the territory of the German Democratic Republic, Poland and Czechoslovakia, immediately facing the Central Region of NATO, and additional firepower and logistic support are provided for these divisions by a full range of specialist units. Although the number of divisions has remained unchanged since the Warsaw Pact invasion of Czechoslovakia in 1968, their real combat strength, in terms of additional tanks, guns, armoured personnel carriers and manpower, has increased by the equivalent of six complete pre-1968 divisions. The combat strength of many of the remaining 134 tank and motor rifle divisions in the Soviet Army is being increased in a similar manner.

Since 1970 the Soviet air forces have been engaged in a comprehensive programme of re-equipment with the principal aim being a major advance in the ability of the Tactical Air Force (TAF) to engage in conventional offensive air operations instead of the earlier concept of air defence and direct support of the Soviet Army. Their already formidable tactical nuclear capability is also being considerably increased. These improvements apply in particular to the area facing the Central Region of NATO where the increase since 1968 is equivalent to the introduction of seven air regiments. Especially significant is the introduction of three new types of swing-wing tactical aircraft, with greatly increased conventional and nuclear weapon loads, which are capable of penetrating much deeper than hitherto into NATO territory, including parts of Britain.

The Soviet Union is about to deploy its new *SS-X-20* intermediate-range ballistic missiles, which can be deployed on mobile launchers and are equipped with multiple independently-targetable re-entry vehicles (MIRVs), and are capable of reaching any major target in Europe. At the same time the Soviet Union is progressively replacing its older intercontinental ballistic missiles with three new types, the *SS-17, SS-18* and *SS-19*, which also carry MIRVs and have improved accuracy. New nuclear-powered missile-firing submarines are entering service at the rate of six a year and a submarine-launched MIRV missile is expected to be deployed soon.

The Soviet Union can also call on the assistance of its Warsaw Pact allies. The navies of the German Democratic Republic and Poland support the Soviet Navy in the control of their own coastal waters and both have substantial amphibious assault forces. Their effectiveness has been increased by re-equipment though their total strength has remained largely static in recent years. The armies of the German Democratic Republic, Poland and Czechoslovakia include a high proportion of combat-ready divisions and are available to support the Soviet forces facing the Central Region. The air forces of the non-Soviet Warsaw Pact countries are mainly organised for air defence and are integrated into the Soviet air defence system, providing air defence in depth for the Soviet Union. They also maintain offensive elements for tactical support of ground forces.

The NATO Response

The statement notes that in order to counter the military and political threat from the Warsaw Pact, Britain and its allies co-operate in the North Atlantic Alliance which, as well as defence, has as its aim the pursuit of *détente*. In accordance with the latter role, the statement declares, 'its members are committed to contributing towards the development of peaceful and friendly international relations by strengthening their free institutions, by bringing about a better understanding of the principles upon which these institutions are founded, and by promoting conditions of stability and well-being'.

In addition, however, the alliance must have sufficient military forces ready to deter and, if necessary, resist aggression. Military power, the statement notes, is regarded by the Soviet Union as a legitimate and important diplomatic weapon, 'and there can be little doubt that the Soviet Union could exploit to the full the opportunities which could be offered by any weakening of Western political and economic stability or by any further shift in their favour in the military relationship between East and West in Europe'. Consequently NATO forces have to serve both a military and a political purpose: 'they must promise a collective defence against any military aggression and they must underpin the confidence of each member State that the alliance would collectively resist any attempt by the Soviet Union to derive political advantage from its military pre-eminence over a single member, or groups of members, of the alliance'.

In order to carry out these aims NATO has evolved the strategy of flexibility in response which recognises that effective deterrence depends upon the manifest ability and will of the alliance to respond in an appropriate manner to aggression of any kind. This strategy requires NATO to maintain sufficient conventional, tactical nuclear and strategic nuclear forces, and the statement places particular emphasis on the importance of an adequate conventional capability: 'If NATO were patently unable to sustain a stalwart conventional defence against conventional attack, its enemies might well conclude that an alliance which was so neglectful of its own security would be unlikely to have the collective determination to escalate a conflict to the nuclear level; they might thus be persuaded to take the risk of launching a conventional attack'. Other important factors in NATO's deterrent and defensive strategy include the ability to move reinforcements across the Atlantic by sea and air, the principle of forward defence so that an aggressor would not be able to seize adjacent territory before an adequate counter-attack could be mounted, and the ability to mobilise rapidly in time of an emergency.

The development of this strategy over the past decade, in place of the previous strategy of early reliance on nuclear weapons, has resulted in a number of improvements in the alliance's conventional capability. New generations of equipment have come into service such as the *Leopard* tank, the *Lance* surface-to-surface missile and the Anglo-French *Jaguar* aircraft; good progress is being made with the *Tornado* multi-role combat aircraft (see p 150, 1976) and maritime capability has been improved by the introduction of new surface ships and submarines. Major changes in force structures in Europe will result from programmes of re-organisation being carried out by the American, Federal German and British armies and an integrated command structure has been introduced for Allied air forces in the Central Region.

Britain's Contribution to NATO

Britain's defence effort is now concentrated on the alliance, and its contribution continues to be based in the areas where it can be most effective for common defence. In the Eastern Atlantic and Channel areas NATO depends on Britain to provide the main weight of maritime forces available to the alliance. In the Central Region, in line with its Brussels Treaty commitments, Britain maintains land forces of 55,000 men and a tactical airforce of 12 squadrons, both of which would be reinforced in time of tension. The home base provides essential operational and support facilities not only for British forces but also for United States forces, stationed in Britain or brought in as augmentation forces. Finally Britain's strategic and theatre nuclear forces provide NATO with an essential element in its deterrent capability.

The statement notes that in terms of the proportion of national output devoted to defence Britain, which in 1976 contributed 5·1 per cent of its gross domestic product to defence spending, ranked third among the allies (after Greece and the United States). According to a 1975 NATO study Britain's proportion of defence expenditure devoted to the purchase of new equipment (19 per cent) was the highest of the 11 allied countries in the survey, and provisional figures for 1976 show this proportion to have increased still further.

The statement points out that Britain has long recognised the desirability of pursuing with its allies a policy of equipment collaboration both for reasons of economy and to achieve the maximum operational flexibility among allied forces. Particular emphasis has been placed on this policy during the last two years by the NATO Eurogroup (see p 20) and by the independent European Programme Group (EPG) which was set up at the beginning of 1976.[1] The statement reports on the progress of the EPG and on the work of the NATO Ad Hoc Committee on Equipment Interoperability (see p 19) and concludes that the Government will continue to play a full part with its allies in maintaining progress in these areas.

Commitments Outside NATO

The armed forces have additional commitments apart from their substantial contribution to NATO. At home, maritime forces are deployed in peacetime, at sea and in the air, to protect fisheries and offshore energy resources; in Northern Ireland, the armed forces are operating in support of the civil power. In Berlin, an infantry brigade contributes to the security of the Western sectors of the city. In the Mediterranean, British forces are deployed in Gibraltar, in Malta until 1979, and in Cyprus. In Hong Kong there is a garrison for external defence manned by units of all three services, and a Gurkha battalion is stationed in Brunei. A Royal Marines detachment is maintained in the Falkland Islands, and in the Caribbean there is a garrison for the external defence of Belize.

Expenditure

The defence budget estimates for 1977-78 total £6,329 million at current prices. Of the total, £2,350 million represents expenditure on equipment (37 per cent), £1,452 million expenditure on forces' pay and allowances (23 per cent), £1,105 million expenditure on buildings and miscellaneous stores and services (18 per cent), £1,077 million expenditure on civilian pay (17 per cent), and £345 million expenditure on forces pensions (5 per cent). A functional analysis of expenditure is contained in the table (see p 98).

In line with the Government's policy of reducing public expenditure generally, the defence programme was reduced for 1977-78 by £100 million in July 1976 and a further £100 million in December 1976, when a cut of £230 million in the planned defence budget for 1978-79 was also announced. The £200 million savings for 1977-78 will be spread over a wide area of expenditure. About £75 million will be found from the equipment programme, mainly through deferment of projects but also through selective cancellations. Works expenditure will be reduced by £64 million and the balance will be found partly from miscellaneous reductions, including research and development expenditure and various support and administrative costs, and for the rest through a revised assessment of the level of expenditure now expected on the defence pro-

[1] The Eurogroup has been formed within the military organisation of NATO, while the EPG is open to all European members of the alliance and includes France.

Functional Analysis of Expenditure and Manpower 1977-78

	Expenditure £ million	Military Personnel*	Civilian Personnel*
Nuclear Strategic Force	96	2,800	4,200
Navy General Purpose Combat Forces	843	32,700	9,300
European Theatre Ground Forces	1,091	102,600	29,200
Other Army Combat Forces	70	14,100	7,200
Air Force General Purpose Forces	1,034	54,700	12,100
Reserve and Auxiliary Formations	105	2,600	3,600
Research and Development†	823	1,300	35,200
Training	565	73,800	21,100
Production, Repair and Associated Facilities in the United Kingdom	447	9,600	93,500
War and Contingency Stocks	108	—	—
Other Functions	1,139	42,900	63,400
Miscellaneous Expenditure and Receipts	8	—	—
Total	6,329	337,100	278,800

*These are average strengths and include locally enlisted personnel.
†Excludes £3 million of Meteorological Research and Development.

gramme as a whole. After these reductions defence expenditure at 1976 Survey prices will be £5,447 million for 1977-78 and £5,403 million for 1978-79. This expenditure will enable the Government to fulfil its policy of maintaining modern and effective forces and of continuing to make a very substantial contribution to the capability and security of the alliance.

The Defence Forces

Further sections of the statement provide information on the deployment and operations of Britain's defence forces and give details of improvements in their equipment over the past year. The combat forces consist of the nuclear strategic force, Royal Navy general purpose forces, European theatre ground forces, other Army combat forces and Royal Air Force (RAF) general purpose forces. Expenditure on these forces in 1977-78, together with their military and civilian personnel strengths, is shown in the table.

Operations and Exercises

Operations in Northern Ireland in support of the civil power continued in line with the Government's policy of working towards a situation in which the Royal Ulster Constabulary (that is the Northern Ireland police force) is able to maintain law and order throughout the Province without assistance from the armed forces. This is a gradual process and the armed forces will continue to remain heavily committed to operations in support of the police for as long as is necessary.

The Army has continued to respond flexibly to a level of violence that has fluctuated during the year, and a firm response to the upsurge of sectarian attacks in County Armagh at the beginning of the year did much to reduce the violence in that area. During 1976, 1,276 people were charged with terrorist-type offences, including 241 with murder or attempted murder. The security forces found 837 firearms, 70,306 rounds of ammunition and almost ten tons of explosive (including neutralised devices).

After the new fishing agreement between Britain and Iceland on 1 June 1976 (see pp 250-1, 1976) tributes were paid to the effectiveness with which British defence forces carried out their arduous and difficult duties. Following the extension of British fishing limits on 1 January 1977 (see p 14), the task of the Fishery Protection Squadron has expanded considerably. In order to carry out this and other duties, in particular the peacetime protection of offshore oil and gas installations, additional ships and aircraft are being deployed in 1977. Five new *Island* class ships, two of which have already entered service, will be operating in offshore protection tasks by the end of the year and they are augmented by other ships and by Royal Navy and RAF aircraft. Air surveillance is carried out by RAF *Nimrod* aircraft.

In the NATO area British forces have continued to monitor the increasing activities of the Soviet naval and air forces operating in the Atlantic, around Britain and in the Mediterranean. All three services made major contributions to the many NATO exercises held during the past year, with emphasis being placed on the exercises held in the autumn which were specifically designed to demonstrate NATO flexibility and solidarity.

Although there has been a considerable reduction in exercise activity outside the NATO area since the 1974 Defence Review (see pp 459-60, 1974), the statement notes that British forces have participated in a variety of such activities during the past year, most notably in a number of Central Treaty Organisation (CENTO) exercises.

Military Aid to the Civil Community

The statement gives details of aid by the armed forces to the civil community both in Britain and overseas during the past year. At home Army bomb disposal units again assisted local police authorities in dealing with bomb incidents, and the Army has provided support for a number of counter-terrorist operations at Heathrow and Gatwick airports (near London). All three services provided aid to fire brigades throughout Britain during the dry summer

months, and Royal Navy and RAF rescue helicopters have continued to be available at short notice to carry out search and rescue operations.

Overseas the RAF was prominent in the provision of British aid following the Italian earthquake in May and the Turkish earthquake in November 1976. In October 1976 a Royal Navy diving team was sent to Egypt at the request of the Egyptian Government to assist in the recovery of the Diocletian Gate, part of the Philae Monuments on the River Nile. In November the Dartmouth training ship HMS *Fearless* went to the assistance of a Greek freighter after an outbreak of fire, picked up survivors of the crew who had abandoned ship and towed the vessel to Malta. In addition Royal Engineers' teams carried out a number of assistance projects around the world.

Equipment

Expenditure on equipment in 1977-78 is expected to total £2,350 million. Including associated personnel and other costs, total procurement expenditure for the period is estimated at £2,637 million. Of this £1,811 million (69 per cent) will be spent on production (28 per cent on ships, ship equipment and weapons; 23 per cent on army equipment and vehicles; 39 per cent on aircraft, aircraft engines, equipment and weapons; and 10 per cent on general support) and £826 million (31 per cent) on research and development.

Ships that entered service in the past year or that will be accepted this year include one *Swiftsure* class nuclear-powered fleet submarine; two *Type 42* guided-missile destroyers; four *Type 21* frigates and the first of the *Type 22* frigates; five *Island* class offshore patrol vessels and one Fleet replenishment ship. Vessels under construction or due to be ordered in 1977 include one Fleet submarine, the first of an improved *Swiftsure* class; the first two of a new class of anti-submarine cruisers; five *Type 42* destroyers; three *Type 22* frigates; and two *Hunt* class mine countermeasures vessels built of glass-reinforced plastic. Naval helicopters in production are the *Sea King* and *Lynx*, and an improved version of the former has now come into service, with those already in service being modified to the improved standard. The *Lynx*, which is currently undergoing intensive trials, will supersede the *Wasp* and be carried in the majority of destroyers and frigates. The *Sea Dart*, which is the Fleet's principal air defence missile, is being fitted in all *Type 42* destroyers and the anti-submarine cruisers. The *Sea Wolf* missile, designed to provide air defence for the *Type 22* and other frigates, is under development and results so far are most encouraging. Work is also in hand on a number of other naval missiles and other types of weapons.

Improvements and developments in the Army's equipment include deliveries of a new 105-mm light gun; the re-equipment programme should be completed by mid-1978. Procurement of the *Milan* anti-tank guided weapon has begun since the signing of an agreement with France and the Federal Republic of Germany last October, and after an initial purchase from a Franco-German consortium the bulk of the requirement will be manufactured in Britain. The combat reconnaissance vehicle *Striker* will enter service later this year and production will begin of *Sultan*, a command vehicle. Important commercial benefits have already been secured from the development of a new type of tank armour, called Chobham armour, which will be fitted to the next generation of main battle tanks. Main series production of the 155-mm field howitzer, *FH70*, has now begun, and Britain, the Federal Republic of Germany and Italy are continuing development of the *SP70* self-propelled version.

Turning to the RAF, the statement reports that allied offensive air capability will be greatly enhanced when the *Tornado* multi-role combat aircraft enters service in the early 1980s. An air defence variant of this aircraft, which has been jointly developed by Britain, the Federal Republic of Germany and Italy, is also now in full development and delivery is planned to commence in the mid-1980s. New aircraft in production are the *Hawk* advanced trainer and the search and rescue version of the *Sea King* helicopter. Major improvements are about to be carried out on the *Nimrod* long-range maritime patrol aircraft that will enhance both its anti-submarine and offshore patrol and fishery protection roles; work is also continuing on a range of improvements on a number of other aircraft including the *Buccaneer*, *Harrier* and *Jaguar* and the *Puma* helicopter. A new medium-range air-to-air missile, the *Sky Flash*, is nearing production and a programme of improvements is being introduced to the ground-based air defence equipment.

Manpower and Reserves

The statement reports that recruitment targets for most branches of the services are being met: recruitment for the 12 months ending 31 March 1977 is expected to total 41,000 compared with 46,906 the previous year. The lower figure this year is due to reduced requirements by the Royal Navy and Army and the need to meet the planned levels for 1979 as announced in the 1975 Statement of Defence Estimates (see pp 131-6, 1975).

Britain's armed forces totalled 334,500 on 1 January 1977, of which 76,000 were in the Royal Navy and Royal Marines, 170,800 in the Army and 87,700 in the RAF. The forecast total for 1 April 1977 is 330,300. The total number of civilian personnel employed by the Ministry of Defence in 1977-78 is estimated at 278,800. A functional analysis of personnel is contained in the table.

The statement shows that reserve forces, an integral part of the armed forces, totalled 248,600 on 1 January 1977. Of these 173,900 were regular reserves, having reserve liability after a period of regular service, and 74,700 were volunteer reserves and auxiliary forces. The volunteer reserves include members of the Ulster Defence Regiment which last year increased its role as a vital part of the security forces in Northern Ireland, taking over, in part or wholly, from the Regular Army the task of providing immediate military support to the police in six police divisions of the Province. Cadet forces, which are voluntary youth organisations sponsored by the armed forces, totalled 137,000 on 1 January 1977.

Britain's Foreign Policy

The newly appointed Secretary of State for Foreign and Commonwealth Affairs, Dr David Owen, made two major speeches at the beginning of March in which he outlined Britain's foreign policy objectives. Details of these two speeches are given below.

SPEECH TO PARLIAMENT

In a speech to the House of Commons, the Foreign and Commonwealth Secretary gave an assessment of Britain's foreign policy interests and of its role in the world (*Hansard*, 1.3.77, cols 195-210). He described Britain and its people as 'an island race, part of Europe but with the Atlantic breaking against our coast'. The early onset of the industrial revolution in Britain, combined with the nation's seapower, also gave Britain 'the wherewithal to trade with and invest in almost every corner of the globe'. 'Today', he said, 'our future lies with Europe as a member of the European Community, but the scale of our international interests is not such that we could withdraw from them even if we wished to do so.'

Britain's Strengths and Influence in the World

The Foreign and Commonwealth Secretary noted that in the last ten years the country had become realistic about its influence in the world; but equally it was time, he said, 'to stop selling ourselves short. We need more self-confidence, more national buoyancy. We are in danger of exaggerating our weaknesses and of under-playing our potential.'

Dr Owen then went on to examine Britain's strengths. First, he noted that Britain was playing a leading part in the European Community, '. . . not just one of the wealthiest and potentially most economically powerful groups in the world', but a body where 'the aspirations of the member states go beyond immediate national concerns'. He then referred to Britain's considerable overseas investments, its position as the financial centre of the world, and its active involvement in the major international economic institutions (for example, the Organisation for Economic Co-operation and Development, the International Monetary Fund, and the General Agreement on Tariffs and Trade). Britain was a 'vital element in the Atlantic Alliance and the only European member state of NATO which contributes to the strategic, tactical-nuclear and conventional forces of the organisation' (see pp 95-9). Dr Owen also referred to Britain's continuing responsibility for Berlin, 'the exercise of which is vital to the stability of Europe', and to Britain's position as a permanent member of the United Nations Security Council.

Membership of the Commonwealth gave Britain 'a unique insight into the preoccupations and interests of 35 independent countries, representing a broad cross-section of the world's population'. He thought that the British were justifiably proud of having established a democratic system and a tradition of political stability. The Foreign and Commonwealth Secretary then pointed out that by 1980 Britain would be self-sufficient in oil and would be for the next few decades 'the only major industrialised nation self-sufficient in energy'. Lastly, he referred to Britain having 'developed a way of life culturally and morally which is not only one of our most valued national assets but also a long-standing source of influence on Europe and on the world'.

Interdependence of Nations

Dr Owen went on to state that Britain was part of a world in which nations were increasingly limited in their ability to protect their interests on their own. He said that no industrialised nation could, any longer, guarantee its prosperity and security without regard to the outside world. This interdependence of nations had, since 1945, transformed the international context in which British foreign policy had to operate so that the 'central task' of that policy had become to decide 'how best we can realise our fundamental objectives – to promote national prosperity and to safeguard national security'.

Dr Owen pointed to the link between prosperity and security and stated: 'Our security, our reliability as an ally and our capacity to play a useful role in the world are infinitely more difficult to sustain if we are economically weak'. Recalling the events of 1973 – the oil price rise and the subsequent inflation – he noted that a great deal had been achieved in overcoming these economic problems, but cautioned, 'unless we complement sound domestic policies with international economic co-operation, most of our efforts at home, and in particular the benefits gained from the social contract, could very quickly be eroded'.

Britain's level of food and raw material imports, and the contribution that exports made to its gross domestic product meant that Britain was increasingly vulnerable to developments taking place in the international economy. To illustrate Britain's greater concern with international economic matters, Dr Owen commented on the changing role of the Foreign and Commonwealth Office, where contributing to the export drive had now become 'a central task of every overseas post'.

The economic interdependence of nations was, he said, also underlined by the common interest in stable currencies and in the expansion of free trade, and by the economic summits which had taken place at Rambouillet (see pp 483-4, 1975) and in Puerto Rico (see pp 284-5, 1976). The summits represented a 'joint recognition of the power and responsibility of the industrialised countries to promote the prosperity of the developed and developing nations alike. They also marked a concerted effort to avoid competitive beggar-my-neighbour measures at a time of crisis, and to co-operate in bringing the Western world out of recession, without refuelling inflation.'

Dr Owen said the forthcoming economic summit[1] would provide an opportunity for the participants 'to consider further ways of stimulating world economic recovery'. It was clear that such recovery

[1] At the invitation of the Prime Minister, Mr James Callaghan, the heads of State and Government of Canada, France, the Federal Republic of Germany, Italy, Japan and the United States will meet in London on 7 and 8 May. A press notice issued by the Prime Minister's office has stated that the aim of the meeting is 'to enable the leaders of the world's main industrialised nations to discuss in depth the problems facing both developed and developing countries'.

depended 'first and foremost on an expansion of demand in the stronger economies of the world'. A central economic issue was 'what to do about the OPEC surpluses', and he described unemployment, 'increasingly structural and long-lasting, not cyclical', as an international and not solely a national phenomenon. He stated: 'Any summit meeting of the world's leading industrial powers must examine closely and urgently the possibility of co-operation on an international scale to rid us all of the scourge of unemployment.'

Relations with the Developing Countries

Turning to relations between the developed and developing worlds, the Foreign and Commonwealth Secretary said the gap between the rich and poor nations was not simply a matter of statistics, but 'supremely a moral question which demands a firm and principled stand'. It was also a question of security, since ever-increasing inequality was a source of 'confrontation and ultimately open conflict'. 'The British Government are committed', he said, 'to working for a more fair and rational world economic system which will offer the people of the poorer countries the possibility of lives no longer dominated by malnutrition, want or chronic insufficiency.' Although Britain's ability to redress this imbalance alone was limited, Dr Owen pointed out that its influence on these matters had been greatly enhanced by membership of the European Community and of the Lomé Convention (see pp 51-3, 1975). He also said it was vitally important that the countries involved in the North-South Dialogue (see p 384, 1976, footnote 1) 'should try to work together, despite their differences, in the forthcoming common fund conference and the ministerial session of the Conference on International Economic Co-operation'.

Britain and the European Community

Dr Owen then went on to examine in greater detail Britain's position in the European Community and the NATO alliance. The unique quality of the Community was its role as an 'economic institution with a political future'. It was also 'a solid buttress for democracy'. He referred to the controversy about whether progress towards political unity could be made without progress towards economic unity, and stated his view that advance in these two areas was 'inevitably linked'. It was a simple fact that the reason why the economically strong nations prepared to consider helping the less well-off members was political. Some examples of this were the negotiations that were taking place for enlargement of the Community. These were taking place with Greece (see p 106), while discussions were in progress with Portugal (see p 107), and there was a possibility of discussions with Spain. He said it was 'politics not economics' which was the decisive factor behind further enlargement.

Dr Owen also pointed to the problem of economic divergence among the member states of the Community. He thought that if it became a firmly established trend it 'would present a serious threat to the cohesion of the Community'. For the Community to command greater public support, Dr Owen said it needed 'to become more relevant to people's daily lives'. He added: 'We can make it so economically and socially, by taking action within the Community framework to reinforce and supplement national efforts to restore growth and fight inflation and unemployment. We can avoid creating butter mountains and selling off the surpluses to the Russians (see p 105). We can do so democratically by giving people a say in directly electing the members of the European Parliament' (see p 383, 1976).

On the question of direct elections, Dr Owen said that the electoral system adopted for this process in Britain 'must carry conviction and must be truly representative'; he reiterated the Government's intention 'to use their best endeavours along with other member states to meet the 1978 May or June target date'.

The Foreign and Commonwealth Secretary told the House of Commons that a White Paper on direct elections containing 'some points still for decision, in the light of further discussion', would be presented to Parliament within a few weeks. He emphasised that constitutional changes of this kind needed careful consideration and said that while there were difficulties inherent in any delay over introducing the legislation, the more agreement that could be reached at this stage, the easier it would be subsequently to pass the legislation.

Britain and NATO

Dr Owen then went on to examine the NATO alliance and stated that its formation in 1949 had 'reflected the fact that individually the states of Western Europe could not defend themselves and that security could lie only in collective effort made with the United States'. He described the relationships of Britain and Europe with the United States as 'an integral feature of the interdependent world in which British foreign policy operates'. This was the logical consequence of the United States' position in the international economy and also reflected its military strength. Anglo-United States relations rested, he said, 'on the strongest of foundations: shared ideals and shared principles'.

Membership of NATO was 'the foundation of British security' and the organisation was 'as essential in an age of *détente* as it was during the Cold War'. He remarked on the stability of the alliance, despite the effects of profound economic and social changes, and he noted that its members were still 'strongly united and confident in its common objectives'.

Détente and Potential Areas of Conflict

The British Government was, Dr Owen said, equally committed to *détente*, 'to the continuing search for a more constructive, more manageable and safer relationship with the Soviet Union and the other countries of Eastern Europe'. *Détente* should not be regarded as an exclusively European process or one confined to a bilateral relationship between the two super-powers, for there were a number of areas outside Europe where tensions presented a 'chronic threat to world peace'. He identified three major potential areas of conflict 'where Britain has an interest and where its policies will be tested over the next few months'. Southern Africa was one such area where the 'intractability of the problems of the

region, mainly stemming from racial discrimination, puts an increasing premium on violence'. He said the Government would 'uphold the principle of democracy in Namibia' (see p 395, 1975). Repeatedly Britain had stated that it was an essential requirement that country-wide elections should be held there under United Nations supervision, 'in which all political parties, including SWAPO [South West Africa People's Organisation] should be free to participate'. He referred to Britain's role in the negotiations concerning majority rule in Rhodesia in which it had tried to bring about 'an orderly and peaceful transfer of power out of the hands of the white minority and into the hands of the majority, where it properly belongs'. Dr Owen reminded the House of Commons of Mr Smith's rejection of the proposals for a transitional government (see pp 52-4). Since then, the British Government had been considering with its American allies the options that remained open. Contacts were being maintained with the nationalists and front-line Presidents, and discussions with the United States and South Africa had recently taken place.

The Secretary of State described the situation of apartheid in southern Africa as demeaning to human dignity. It created tension between races, and sowed the seeds of violence: 'We must do everything in our power to help establish conditions in the region in which people of all races can work together in equality and mutual respect. The alternative is the bleak prospect of bloodshed and chaos.' He added: 'I for my part stand ready at any time to go anywhere and talk to anyone if I judge that it will make a genuine contribution for a peaceful settlement.'

Turning to consider the Middle East conflict, he thought there was now some prospect of breaking the deadlock. He was hoping to visit Egypt and Israel in the next few months. The Government recognised that the role of the United States in getting negotiations under way was decisive, but Europe could not and should not stand aside. Its interests in the Middle East were 'enormous', the nations of the area had become 'Europe's major trading partners' and there were strong links 'based on traditional friendship and history as well as commerce'.

Cyprus was the third major international problem considered by Dr Owen. After describing the recent meetings between Archbishop Makarios and Mr Denktash as 'a hopeful sign', he said: 'We shall remain in close touch with our allies and our partners in the Community to decide what, if any, initiatives we can take to further a negotiated settlement.'

The Foreign and Commonwealth Secretary then went on to consider Britain's relations with its dependent territories where policy is governed 'by concern for the rights of the individual'. He referred to the visit to the Falkland Islands (see p 106) by Mr Edward Rowlands, Minister of State at the Foreign and Commonwealth Office, a visit designed to assess the climate for possible discussions concerning the future of the islands, and the possibilities of co-operation between Britain and Argentina in the region of the south-west Atlantic. Dr Owen affirmed that any changes which might be proposed in the light of these discussions 'must be acceptable to the islanders whose interests and well-being are our main concern'.

Objectives of British Foreign Policy

In conclusion, the Foreign and Commonwealth Secretary said an effective foreign policy did not 'simply depend on a sound and prosperous economy nor even on the vigour and stability of a nation's political institutions'. Of equal importance was a 'commitment to the proclaimed values and beliefs of our society, based upon ideals of morality, equality and justice. These ideals must permeate all aspects of our foreign policy.' In the field of human rights, Britain must take a stand 'in any corner of the globe', and must apply the same standards and judgment to Chile as to Communist countries, to Uganda, or to South Africa. This was not a question of interfering in other people's internal affairs since 'the UN Charter, the Universal Declaration of Human Rights, and the UN Covenants on Human Rights, demonstrate clearly that abuses of human rights, wherever they may occur, are the legitimate subject of international concern'. He said there was a need to balance morality with reality, and in the last analysis it was the Government and the House of Commons which must judge how best to give effect to the common aspirations '. . . and inevitably different circumstances, different countries, will require different measures'. He said that governmental action needed to be hard-headed and practical, and have 'realisable objectives'.

In Dr Owen's closing remarks, he summed up the objectives of British foreign policy: it must 'project outwards the values which lie at the core of British society. This is the only way in which the Foreign Secretary can hope to carry public opinion and without public support any foreign policy is ultimately doomed to failure.'

SPEECH TO THE DIPLOMATIC AND COMMONWEALTH WRITERS' ASSOCIATION

A speech on the development of *détente* between the Eastern and Western worlds was made to the Diplomatic and Commonwealth Writers' Association on 3 March, by the Secretary of State for Foreign and Commonwealth Affairs, Dr David Owen. Dr Owen began his speech by tracing briefly the history of the build-up to *détente*, recalling the level of mutual hostility that existed between East and West during the Cold War, the beginnings in 1953 of an attempt by the two sides 'to build a more constructive and less dangerous relationship', the 'rebuff' at the time of the Cuban missile crisis, followed by genuine steps forward with the signing in 1963 of the Partial Test Ban Treaty, and in 1968, of the Nuclear Non-Proliferation Treaty. East and West had slowly come 'to recognise a common interest in the management of their relations to avoid military confrontation and nuclear war'. Although there had been a regrettable increase in the quantity of nuclear weapons held by both sides, there had been 'a qualitative improvement' in the way in which East and West sought to manage 'the mutual threat presented by each other's nuclear arsenals'.

Soviet-American Relations

In describing the current relations between the United States and the Soviet Union, the Foreign and Commonwealth Secretary said that between 1971 and 1974 approximately 25 bilateral agreements had been signed between them. 'The central achievement' had been the willingness of the United States and the Soviet Union to engage in talks on strategic arms limitation. 'As a result there is today less risk of misunderstanding, less risk of military confrontation and therefore less risk of nuclear catastrophe.'

Britain's Commitment to Détente

Dr Owen said that Britain's commitment to *détente* was as firm today as it was on the eve of the Helsinki Conference in 1975 (see pp 305-12, 1975). But he added that over the past 18 months, a widespread feeling had developed in the West that too little had changed for the better and that some important things might even have changed for the worse.

Doubts About Détente

The Foreign and Commonwealth Secretary said that no objective observer could deny the increase in effectiveness of the land, sea and air forces of the Warsaw Pact countries and noted that 'many ask what all this military effort is for'. Other questions raised were: 'Whatever happened to the seventh principle of the Helsinki Final Act, pledging signatory states to uphold human rights and fundamental freedoms? What has happened to the commitment to the free exchange of peoples and ideas, into which the 35 states who signed the Final Act have entered, and which remains more an aspiration than a reality?' Dr Owen noted that the answers to these questions had resulted in increasing scepticism in the West 'both towards the Final Act and by extension towards the process of *détente* itself'. It was his view that some of this scepticism and disappointment had been misconceived, and that expectations had outstripped by far the limits of what *détente* could have reasonably delivered. This was due to the fact that *détente* 'started from a low threshold', and included to date 'only a limited, though vitally important, accommodation in Europe and between the super-powers'. This was the early stage of the process, 'not its culmination'. *Détente* had solved some of the most urgent and obvious problems between East and West, and had established a framework for the solution of problems which remained. But there was still 'a long way to go'. The easier stage of *détente* was over, the issues on the agenda of East-West relations were now 'more complex, more contentious'. 'We are beginning', said Dr Owen, 'to encroach on fundamental attitudes, on human behaviour, and the issues go to the heart of each side's perception of itself and its interests.'

The Secretary of State said that *détente* had never been intended to stop the Soviet Union from being a world power, nor to turn that country and its allies against Communism. The size, population and resources of the Soviet Union were such that it had inevitably emerged as a global power. He emphasised: 'The basic premise from which we in the West must start is that the Soviet Union is a world power with national interests and ambitions to match, which inevitably bring it into competition, and sometimes confrontation, with the West. ... Communist ideology invests the natural rivalry between East and West with a dynamic of unceasing struggle.'

The struggle had increasingly become one 'for the minds of men'. The West was confident that its model of society was better adapted 'to satisfy human aspirations, both intellectual and material'. Dr Owen continued: 'True, we in the West have our problems. But they are of a complexity and sophistication which Communist societies are only just beginning to encounter. Above all, Western society thrives on the intellectual ferment and the unfettered expression of human creativity in all its forms.' He emphatically believed that there was a need to expand the areas of accommodation between East and West. He said: 'The present relationship is essentially unstable. It still carries the risk of miscalculation and disaster. We have to reduce this risk even further.'

Increasing Areas of Understanding

In opening up the frontiers of East-West understanding, the relationship of competition and co-operation would constantly assert itself, said Dr Owen. But he thought that both sides had everything to gain from 'frankly and openly facing up to the consequences of their differing perceptions of *détente*'. This offered both sides the best long-term hope of reducing the areas of confrontation between them and of progressively increasing the areas of common ground. He added: 'It would be folly indeed for one side to make the process of *détente* so distasteful to the other that it would prefer to opt out altogether. The golden rule must be that neither side should pursue policies which so raise the level of confrontation that the structure of *détente* is itself threatened'; there must be balance between 'the elements of confrontation and co-operation'.

Helsinki Final Act

Dr Owen said these considerations applied with particular force to the Helsinki Final Act, which had several provisions containing the seeds of confrontation. But the Act was a declaration of purpose, not a treaty, and its value was fundamentally long-term. He saw the Act, 'as a charter and code of behaviour for what we hope will in time become a more normal and open relationship between governments and peoples in East and West. It reflects *détente's* highest aspirations.'

Those in this country who had dismissed the relevance of the Final Act were described by Dr Owen as 'at best short-sighted, at worst all too ready to substitute short-term political rhetoric for long-term political progress'. Recent events in Eastern Europe had shown that the Final Act had already begun to be an inspiration and a point of reference for those who wanted to see their societies evolve peacefully and constitutionally in a more open direction. The signatories of Charter 77 in Czechoslovakia (see p 62) professed no wish to overthrow their regime and had insisted that they were Communists. They had concerned themselves

strictly with freedom of speech and basic human rights, and all had quoted the Final Act. Dr Owen added: 'It is in the chords which it has spontaneously struck, without any outside assistance, in some of the countries of Europe, that we see one of its most interesting and hopeful effects.'

Progress Over Détente

The Secretary of State then considered the question of how to refine still further the techniques for managing crises between East and West in 1977. This was 'a matter of reducing to an absolute minimum the area of possible miscalculation between the two sides'. It meant that East and West should be as well informed as possible of each other's intentions and preoccupations. In this respect, bilateral visits had an important role to play, but such exchanges would be of limited value unless both sides accepted the basic premise that *détente* was indivisible and did not stop in Europe.

Dr Owen said there was also a need to extend the techniques of management to the whole spectrum of East-West relations, to adopt a more coherent and systematic approach to all aspects of relations and to try to maximise co-operation in areas of common interest, such as the 'vital area of nuclear non-proliferation' where Britain and the Soviet Union were both members of the nuclear suppliers' group. It was also necessary to improve the stability of the East-West military balance. He said: 'The emphasis here must be on the discussions between the United States and the Soviet Union about the further limitation of strategic arms, and on the talks between the two military alliances at Vienna about balanced force reductions in Europe' (see p 18).

Policy on Human Rights

Dr Owen also called for a 'human dimension to *détente*' and for progress towards the full implementation of the Helsinki Final Act. The Government's approach to the Belgrade meeting, to be held to review such progress, would be 'wholly constructive'. Britain would avoid fruitless polemics, but would state its views frankly 'where it considered the performance of countries to be demonstrably unsatisfactory'. Any new proposals put forward at the Belgrade meeting would be considered strictly on their merits. But he added: 'The Belgrade meetings cannot plan sequels or supplements to the Final Act until we are all satisfied that the Final Act itself is working effectively.' One part of the Final Act made specific provisions for the reunification of divided families. This aspect was important to the British Government, and the Government would continue to raise questions concerning individual family cases with Communist countries. It was also determined to encourage the free movement of people and ideas and respect for human rights. Returning to a theme discussed in his speech to the House of Commons (see p 102), he said that such encouragement was not a question of interfering in other people's internal affairs. Britain would take a stand on human rights in every corner of the globe, and this was also the attitude of President Carter and his administration. He recognised that the issue of human rights was only one strand in the complex of East-West relations, and it was no part of the Government's policy to promote 'campaigns of denunciation or to assume the role of *agents-provocateurs*'. But equally the Communist countries should recognise that concern for human rights was not a 'diversionary tactic but an integral part of foreign policy in the Western democracies'.

The Secretary of State said that at times the Government would use private pressure to make its views known, when this seemed more appropriate. On other occasions, it would take 'a strong public stand'. Its public statements might not be as 'exhilarating' as those of some Eastern European exiles, whose courage Dr Owen applauded, for the Government's first task was to help provide and sustain the framework of peace and security within which human rights could be discussed, championed and enlarged.

Reversible Nature of Détente

At the close of the Foreign and Commonwealth Secretary's speech, he warned that there was 'nothing irreversible about *détente*'; that it was a permanent state of negotiation which carried with it no built-in guarantee against failure or reversal. He went on: 'Unless we move forward in the areas I have indicated we could place in jeopardy all the achievements of *détente* so far.' The West should do all it could to ensure not only that *détente* did not go into reverse, but also that it broadened the area of common ground between East and West. He said: 'Above all it means that we in the West must be sure of ourselves: we must be secure in the cohesion of our alliances and partnerships: we must be secure in our faith in our own democratic institutions, and we must be secure in our ability to deter threats to our security from whatever quarter. On this basis, I believe that we can make such a contribution to *détente* that co-operation and mutual confidence will reach a new level of achievement, to the benefit of all peoples of Europe, West and East.'

European Community

Negotiations have begun with the Soviet Union and Poland with a view to concluding fishery agreements, and a fishery agreement with the United States has been signed. Some fishery conservation measures have been agreed by the Community's Council, and the Council and the Commission have made several decisions on agricultural matters. With regard to external relations, a number of financial protocols have been signed, and the Council of Ministers has agreed on the distribution of food aid.

FISHERIES

Soviet Union

Negotiations between the Soviet Union and the Community with a view to concluding a long-term

framework agreement on fisheries began in Brussels on 16 February. The negotiations are concerned with arrangements for reciprocal fishing rights in the two parties' recently established 200-mile zones.

Until the end of March 1977 Soviet fishing within the Community countries' 200-mile limits is subject to licensing (see p 59). One of the aims of the present negotiations is to allow fishing by Soviet vessels in Community countries' waters after that date.

The first round of the negotiations, from 16 to 18 February, was conducted by the Soviet delegation led by the Minister for the Fisheries Industry, Mr Ishkov, and the Community delegation headed by Dr David Owen, then Minister of State at the Foreign and Commonwealth Office, on behalf of the Presidency of the Council, with Mr Finn Olav Gundelach, Vice-President of the Commission.

The joint communiqué issued on 18 February stated that the first round of negotiations had 'resulted in a wide measure of agreement on the general principles, derived essentially from the emerging consensus on this subject at the Third United Nations Conference on the Law of the Sea' (see p 250, 1976), and that negotiations would be resumed in Brussels on 28 February.

Poland

The Community has also begun negotiations in Brussels with a view to concluding a long-term framework agreement on fisheries with Poland. The joint communiqué issued on 24 February stated that the first round of negotiations had 'clarified a certain number of basic elements which could serve as a basis for further discussions . . . for a long-term framework agreement . . .'. As in the case of the Soviet Union (see above), the present communiqué stated that the agreement would be based on the emerging consensus at the Law of the Sea Conference. It added that the two delegations had 'reached a measure of agreement in principle' and that negotiations would continue in Brussels on 16 March.

United States

An agreement between the Community and the United States, signed on 15 February, provides for access by Community fishermen to surplus stocks in the United States waters from 1 March, that is, from the date of the establishment of the United States 200-mile 'fishery conservation zone'. From that date fishing by Community vessels within the zone is subject to obtaining of a permit and payment of fees. The amount of catch is to be allocated by the United States authorities.

Internal Regime

Some fishery conservation measures for the member states' waters were agreed by the Council at their meeting on 14 and 15 February. The measures were among those originally proposed by Britain (see pp 60-1) and the Irish Republic. They are embodied in a Community regulation and include a ban on North Sea herring fishing during March and April and a review of the situation thereafter; an immediate reduction in the allowable by-catch of protected species taken in industrial fishing from 25 per cent to 20 per cent, and a further reduction to 15 per cent at the beginning of 1978; agreement that the Commission will make proposals on the rules governing mesh sizes by mid-March; and the establishment of a closed area for the fishing of Norway pout in the North Sea off the coast of Scotland from 21 February until 31 March. Reporting the agreement to the House of Commons (*Hansard*, 16.2.77, cols 508-10), the Minister of Agriculture, Fisheries and Food, Mr John Silkin, said it was vital that Britain should retain the right to introduce national conservation measures in its waters 'as a safeguard, should the Community fail to act effectively to preserve fish stocks'. He added: 'I am pleased to tell the House that our right to do this has been restated in a Community regulation.' [The agreement on the boundaries, proposed by Britain, of the closed area for Norway pout fishing was originally subject to a Danish reservation; this was lifted on 18 February.]

AGRICULTURE

Butter Surplus

During questions which followed a statement on the Community Council's business made in the House of Commons by Mr Frank Judd, Minister of State at the Foreign and Commonwealth Office (*Hansard*, 28.2.77, cols 35-46), several members expressed concern at reports that a large export subsidy was being paid to a French firm on its sale of some surplus Community butter to the Soviet Union. The subsidy would enable the butter to be sold to Soviet consumers at a price considerably below the Community's internal prices. In his reply, Mr Judd said: 'It is . . . our objective to see that surpluses are used for the benefit of members of the Community, including our people, rather than for people outside the Community.'

The Community's Commission has announced that no further advance fixing of export subsidies would be authorised for the foreseeable future to East European destinations, and that butter export licences would only be granted after a delay of three days following the submission of an application so that the quantities and destinations of the exports can be monitored. The Commission also intends to review possible future methods of disposal of surplus butter.

Pigmeat

At the meeting of the Community's Council on 14 and 15 February the agricultural ministers discussed the problem raised by Britain concerning the methods used for calculating monetary compensatory amounts (MCAs) for pigmeat (see p 61), as well as the general aspects of the MCA system. The Commission stated that it would continue to examine all the problems raised in this area with a view to finding an appropriate Community solution. The temporary subsidy for pig producers, which Britain had introduced to alleviate the effect of the MCAs, has been referred by the Commission to the Community's Court of Justice.

Potato Imports

At the same meeting, the Council agreed to extend the suspension of the common customs tariff on new potatoes until 31 March and on maincrop potatoes until 15 April. In his statement on the meeting (*Hansard*, 16.2.77, cols 508-9), the Minister of Agriculture, Fisheries and Food, Mr John Silkin, pointed out that this would help to keep down shop prices.

Processing and Marketing Investment Aid

The Council also adopted a regulation which provides for aid to be paid from the European Agricultural Guidance and Guarantee Fund (FEOGA) towards the cost of investment projects intended to develop or improve the processing or marketing of agricultural products. After a transitional period, projects, in order to qualify for aid, will need to be within sectoral or regional programmes drawn up by member states.

EXTERNAL RELATIONS

China

The People's Republic of China has expressed the wish to resume negotiations on trade questions with the European Commission. Earlier discussions with the Commission were suspended by the Chinese Government in April 1976.

Greece

A financial protocol between the European Economic Community (EEC) and Greece was signed in Brussels on 28 February. The protocol provides for loans from the European Investment Bank, and special loans and grants from the Community's budgetary resources, totalling 280 million units of account (mua). The loans are designed to accelerate the development of the Greek economy, and to make Greek and Community agriculture more complementary. Negotiations concerning Greece's application to join the Community are being continued (see p 317, 1976).

Israel

An additional protocol and a financial protocol to the agreement signed between the EEC and Israel in May 1975 (see pp 230-1, 1975) were signed in Brussels on 8 February. The additional protocol provides for the implementation of measures and projects in the economic, financial and technical fields. The financial protocol, concluded for the period ending October 1981, commits 30 mua in the form of loans to Israel from the European Investment Bank.

Food Aid

At their meeting on 8 February, the Council of Ministers agreed the cereals aid programme for 1977, involving a total quantity of 1,287,000 tonnes of cereals, of which 720,500 tonnes will be granted in the form of Community aid, and 566,500 tonnes in the form of national aid. The food aid has been allocated to 42 developing countries and six international bodies.

Anglo-Argentine Relations and the Falkland Islands

Mr Edward Rowlands, Minister of State at the Foreign and Commonwealth Office, visited the Falkland Islands and Argentina from 15 to 23 February for discussions on the economic and political future of the islands. Following a five-day visit to the Falklands, during which Mr Rowlands had consultations with the Governor and members of the Executive and Legislative Councils as well as a series of informal meetings with a wide cross-section of the islanders, the Minister of State went to Buenos Aires for two days of exploratory talks with a delegation from the Argentine Foreign Ministry led by Señor Gualter Allara, the Sub-Secretary for Foreign Affairs.

At the end of the talks the British and Argentine Governments issued a joint communiqué in which it was stated that the aim of the meetings had been 'to consider all aspects of the future of the Falkland Islands, South Georgia and the South Sandwich Islands and Anglo-Argentine economic co-operation in the south-west Atlantic area, and to explore, the possibility of establishing terms of reference for subsequent negotiations'. The communiqué stated that at the present stage of the talks there were points on both sides which required further clarification 'in order to broaden the area of understanding already achieved', and concluded that the talks, which had developed in 'a constructive spirit', would be continued at a time and place to be arranged.

Background to the Visit

Lying in the South Atlantic Ocean some 480 miles (772·5 km) north-east of Cape Horn and with an estimated population of 1,905, nearly all of British descent, the Falkland Islands have been administered by Britain since 1833. The dispute between Britain and Argentina arises from the claim to sovereignty over the islands which has been made by Argentina over a long period of years, mainly on the grounds that it succeeded to rights claimed by Spain in the eighteenth century.

The visit by Mr Rowlands took place as a result of the British Government's consideration of the independent economic survey of the Falkland Islands carried out under the chairmanship of Lord Shackleton in 1976 (see pp 65-6, 1976).[1] The survey, which aimed to provide a strategy for the future economic development of the islands, recommended a number of major capital projects for developing the economy of the territory which at present is entirely dependent on the production of wool. These projects include the establishment of a tourist industry, the enlargement of the airport and the development of a fishing industry and offshore gas and oil production. The survey concluded, however, that 'in any major new developments of the Islands' economy, especially those relating to offshore resources, co-operation with Argentina – even participation – should, if possible, be secured'.

Speaking in the House of Commons on 2 February on the Government's attitude to the economic and

[1] *Economic Survey of the Falkland Islands*, HMSO, 1976. 2 vols, £8.

political problems facing the Falkland Islands (*Hansard*, cols 55-61), the late Mr Anthony Crosland, then Secretary of State for Foreign and Commonwealth Affairs, supported the conclusion drawn by the Shackleton survey on the future economic development of the islands. 'Such new developments', said Mr Crosland, 'require a framework of greater political and economic co-operation in the region as a whole. Without such a framework, the prospect of achieving a prosperous and durable future for the islands is bleak.' He continued: 'the Government have therefore decided that the time has come to consider both with the islanders and the Argentine Government whether a climate exists for discussing the broad issues which bear on the future of the Falkland Islands, and the possibilities of co-operation between Britain and Argentina in the region of the south-west Atlantic'. Announcing the object of Mr Rowlands's visit to the Falkland Islands – 'to see whether terms of reference can be agreed for further more formal talks between the parties concerned' – Mr Crosland concluded: 'it is co-operation, not confrontation, both in the Islands and in the dependencies, which we seek to achieve'.

Statement by Mr Rowlands

In his speech to the House of Commons on 1 March (*Hansard*, cols 317-26) shortly after his return from the Falkland Islands, Mr Rowlands referred to the consultations which he had had with the Governor, the Islands' Councils and a number of the inhabitants. He had made absolutely clear to everyone there, he informed the House, that the development of potential resources and investment in the islands 'could be severely inhibited' if the hostile political climate which had persisted for many years were allowed to continue. He had spoken to the islanders of the need 'to create a stable relationship', and he had made clear in all his meetings that the issue of sovereignty would have to be included in any negotiations with Argentina. The joint councils of the islands, Mr Rowlands stated, had approved the British Government's intention of trying to establish a basis for negotiations with Argentina and they had agreed that when he went to Buenos Aires he should try to work out terms of reference for subsequent formal negotiations on the twin themes of political relations and economic co-operation. Mr Rowlands said that in his talks with the Argentine Government he had stressed the assurances given by Britain that there would be full consultations with the islanders during the course of any negotiations and that the British Government's position on the issue of sovereignty would in no way be prejudiced. He then told the House that as a result of his talks with the Argentine Government he believed further progress 'towards a possible agreement on future negotiations' could be made. In the meantime, Mr Rowlands concluded, further views on terms of reference would be exchanged with the Argentine Government through diplomatic channels.

Anglo-Portuguese Relations

VISIT OF PORTUGUESE PRIME MINISTER

Dr Mario Soares, the Prime Minister of Portugal, visited London on 14 and 15 February for talks with the Prime Minister, Mr James Callaghan. Dr Soares, who was accompanied by the Portuguese Foreign Minister, Dr Medeiros Ferreira, and by senior officials, was on the first leg of a tour of European capitals to discuss Portugal's desire to join the European Community (see p 385, 1976).

Before the visit the then Foreign and Commonwealth Secretary, the late Mr Anthony Crosland, stated in a parliamentary answer (*Hansard*, 10.2.77, written answers, col 794) that at the Community's Council of Ministers' meeting on 8 February foreign ministers had agreed on a common response which member states would adopt towards Dr Soares, 'taking account both of the political importance of a positive attitude towards Portuguese aspirations for membership and of the economic and other problems which would have to be overcome'.

At a dinner on 14 February in honour of Dr Soares, Mr Callaghan pledged 'the full support of the British Government' for Portugal in its efforts to become a member of the Community. Mr Callaghan told Dr Soares: 'You have embarked on this course wholeheartedly and with determination and we in this country welcome your decision and firmly believe that you will succeed and so bring greater stability to democracy in Portugal and to Western Europe.'

At a press conference on his departure from London Dr Soares announced that he would apply formally for membership of the Community in March after he had completed his tour.

Background

Since the crushing of an uprising by extreme left-wing units of the army on 25 November 1975 Portugal has progressed to a system of civilian democratic government. On 2 April 1976 a new constitution, drafted by the Constituent Assembly (see p 236, 1975), was formally approved, and on 25 April elections for a legislative assembly were held. These resulted in Dr Soares's Socialist Party gaining 107 of the 263 seats in the assembly. Of the other main parties the Popular Democratic Party (subsequently re-named the Social Democratic Party) obtained 73 seats, the Centre Democratic Party 42 seats and the Communist Party 40 seats. Following this a presidential election was held on 27 June in which General Antonio Ramalho Eanes won 61·6 per cent of the vote and was officially proclaimed president on 6 July.

The president then nominated Dr Soares as prime minister and he formed a minority Government committed to the principles of pluralist democracy, which took office on 23 July. On 22 September Portugal joined the Council of Europe (see p 389, 1976).

ECONOMIC AND SCIENTIFIC AFFAIRS

Overseas Trade in 1976

An analysis of Britain's overseas trade during 1976, together with figures going back for the last ten years, was published in *Trade and Industry* on 4 and 11 March.

In 1976 the visible trade deficit was £3,592 million (see also pp 113-17), following deficits of £3,195 million in 1975 and £5,221 million in 1974; the 1974 deficit being incurred in the immediate aftermath of the oil price rise (see p 441, 1973). The worsening in the deficit in 1976 was the result of a 0·5 per cent fall in the terms of trade index, as the import unit value index rose by 22 per cent and the export unit value index rose by 21 per cent. In value terms this was more than enough to offset the 2 per cent rise in the relative volume index reflecting an 8 per cent rise in export volume compared with a 6 per cent rise in import volume. The main reason for the improvement in export volume in 1976 was the return to growth in world trade. The article suggests that though the improvement in the competitiveness of British exports and their increasing profitability to domestic manufacturers – both the consequence of the 17 per cent depreciation of sterling in 1976 – may also have had some impact, their effect is likely to be more evident in the future. The rise in import volume resulted from some increase in domestic activity after a fall in 1975 and a substantial slackening of the destocking which was a marked feature of 1975.

The visible trade deficit in 1976 is estimated to have been partly offset by net invisible earnings of £2,085 million, so that the deficit on current account for the year as a whole amounted to £1,507 million, compared with £1,647 million in 1975 and £3,324 million in 1974.

The increased deficit on visible trade was, as in 1975 (see p 159, 1976), the result of conflicting movements in the trading position in relation to the main trading areas. The deficit with other member countries of the European Community was reduced to £2,077 million compared with £2,348 million in 1975, there being a 44 per cent rise in exports compared with a 29 per cent rise in imports.

Trade with the rest of Western Europe also improved between 1975 and 1976, a small deficit of £16 million being recorded after deficits of £60 million in 1975 and £358 million in 1974. By contrast, the trading position in relation to North America worsened, with a deficit of £822 million compared with £676 million in 1975.

A small deficit with the other developed countries was recorded for the second successive year following a surplus of £93 million in 1974. The deficit with the oil-exporting countries remained steady, at £709 million, after a strong growth in exports led to a sharply reduced deficit in 1975; however, the deficit expressed as a percentage of imports fell substantially. With the rest of the world, there was a substantial reduction in the surplus from £612 million in 1975 to £38 million in 1976, the result of a strong rise in imports.

The value of Britain's overseas trade between 1970 and 1976, as well as volume indices and terms of trade, is shown in Table 1.

Exports

The value of exports in 1976 increased by 31 per cent to £25,294 million on a balance of payments basis, while the volume rose by 8 per cent, more than offsetting the fall in volume in 1975.

The fall of 17 per cent in the effective exchange rate for sterling in 1976, leading to increased costs of imported raw materials (see below), was the major influence on the sharp rise of 21 per cent in export prices. Despite this sharp increase, British export competitiveness, which gradually deteriorated between the end of 1973 and the end of 1975, probably improved during 1976, although reasonably firm figures are only so far available to the second quarter of 1976.

The value of goods dispatched to the developed countries as a whole was 32 per cent more than in 1975. Exports to the rest of the European Community grew by 43 per cent to £9,174 million (over one-third of total exports), Britain's fastest growing market in 1976. The value of deliveries to the rest of Western Europe increased by 27 per cent, while shipments to North America, which had been particularly depressed in 1975, increased by 33 per cent. Exports to the other developed countries (Australia, New Zealand, Japan and South Africa) rose by only 3·5 per cent, implying a substantial fall in volume. Exports to the developing countries in aggregate were 25 per cent higher, while within this group, exports to the oil-exporting countries rose by 38 per cent and to the other developing countries by 15 per cent. Exports to the centrally-planned economies rose by 9 per cent.

Among major commodity groups the value of manufactured goods exported rose by 30 per cent,

Table 1

Overseas Trade 1970-76 (Balance of Payments Basis)

	Exports f.o.b. £ million	Imports f.o.b. £ million	Volume Indices (1970=100) Exports	Imports	Terms of Trade[1] (1970=100)	Relative Volume Index[2] (1970=100)
1970	8,121	8,146	100·0	100·0	100·0	100·0
1971	9,061	8,781	106·7	104·2	100·9	102·4
1972	9,449	10,151	107·1	116·7	101·3	91·8
1973	12,115	14,449	122·2	133·8	90·3	91·3
1974	16,450	21,671	131·2	136·2	75·1	96·3
1975	19,379	22,574	125·6	126·4	81·0	99·4
1976	25,294	28,886	135·9	134·2	80·4	101·3

[1]Export unit value index as a percentage of the import unit value index.
[2]Export volume index as a percentage of the import volume index.

there being a 7·5 per cent rise in volume coupled with a 21 per cent rise in prices. The volume of shipments of machinery and transport equipment which – in contrast to the falls in most other commodity groups – had increased in 1975, remained unchanged, reflecting a fall of 1 per cent in the volume of exports of machinery offset by a rise of 1·5 per cent in the volume of exports of road motor vehicles and other transport equipment. Exports of chemicals and textiles, which had fallen particularly sharply in volume in 1975, rose in volume by 20 per cent and 18 per cent respectively in 1976 to approximately the levels of 1974; these rises outweighed the increases of 14 per cent in each case in export prices. By contrast, higher prices accounted for three-quarters of the increase in exports of metals. Exports of other manufactures rose in value by 39 per cent.

Among non-manufactures exports of food, beverages and tobacco rose by 19 per cent, almost entirely reflecting increased prices. There was a rise of 38 per cent in the value of exports of basic materials, about two-fifths of which was accounted for by increases in volume, while exports of fuels increased in value by 54 per cent.

Imports

The value of imports in 1976 amounted to £28,886 million on a balance of payments basis, some 28 per cent higher than in 1975. The increase was the result of a 22 per cent increase in the import unit value index and a 6 per cent rise in volume.

There were widespread price increases among the major commodity groups in 1976, to which the 17 per cent depreciation of sterling was a major contributory factor. On an overseas trade statistics basis, the unit value index for fuels rose by 31 per cent, partly a reflection of the 19 per cent fall in sterling compared with the United States dollar (the currency in which oil prices are fixed) and partly a result of the increase in dollar oil prices. Prices of finished manufactures were 26 per cent higher, reflecting not only depreciation but also inflation in the developed countries in 1975 and 1976. Within this group there were particularly sharp rises of 33 per cent and 29 per cent in the unit value indices for clothing and instruments. The 20 per cent increase in industrial material prices was relatively evenly spread within the group, with rises of 21 per cent, 16 per cent and 21 per cent in basic materials, chemicals and other semi-manufactures respectively; while individual rises ranged from 39 per cent in textile fibres, 27 per cent in non-metallic mineral manufactures (mainly precious stones) and 26 per cent in metal ores, while iron and steel (9·5 per cent) and pulp and paper (both 11 per cent) showed more moderate rises. There were wide variations within the overall increase of 13 per cent in the unit value index for imports of food, beverages and tobacco. The index for animal feedstuffs rose by 39 per cent while the price of imported beverages increased by 7 per cent.

After rising sharply between 1971 and 1974, import volume fell by 7 per cent in 1975 as domestic activity declined, together with general destocking. In 1976, the recovery at home and some slackening in the rate of destocking led to a 6 per cent increase in the volume of imports to levels approaching those reached in 1974, the rise being concentrated in industrial materials and finished manufactures. The volume of imports of food, beverages and tobacco rose, following falls in 1974 and 1975, and there was a further decline in the volume of fuel imported. The 12 per cent rise in the volume of industrial materials measured on an overseas trade statistics basis (35 per cent in value) reflected a 24 per cent increase in the volume of chemical imports (42 per cent in value), a 19 per cent higher volume of basic materials (46 per cent in value) but a more moderate 7 per cent increase in other semi-manufactures (29 per cent in value). The higher level in chemical imports reflected the sharp recovery in demand and production in this sector throughout the world and included a 44 per cent rise in plastics materials. Other large increases were 32 per cent in timber and 23 per cent in textile fibres, products particularly susceptible to variations in stock levels, while by contrast non-ferrous metals rose by 2 per cent by volume and non-metallic mineral manufactures (mainly precious stones) by 1·5 per cent. The rise of 7 per cent in the volume of imports of finished manufactures contributed to the 33 per cent increase in value. Imports of transport equipment rose by 19 per cent in volume while within this category, imports of road motor vehicles increased by 58 per cent in value. Machinery imports rose 5·5 per cent by volume and 28 per cent by value. The 3 per cent increase in the volume of imports of food, beverages and tobacco (15 per cent in value) reflected volume

increases of 15 per cent and 11 per cent in fruit and vegetables and cereals respectively. These increases were partly a reflection of the poor potato and cereal harvests in 1975 and 1976 and of the poor crop of green vegetables in 1976. Partly offsetting these rises, the volume of dairy products imported fell by 17 per cent as higher prices probably held back consumption and British production increased; while tobacco imports fell by 2·5 per cent. Despite the rise in domestic demand, the volume of fuel imports fell by 2 per cent. By the end of 1976 supplies of North Sea oil from the United Kingdom sector (see also pp 32-4) were becoming of increasing importance in determining this trend.

Arrivals from all the major areas of the world increased in value terms in 1976. Within the 28 per cent increase in imports from the developed countries, arrivals from the rest of the European Community, the rest of Western Europe and North America increased by 30 per cent, 28 per cent and 32 per cent respectively, while imports from the other developed countries were 15 per cent higher. Within the developing countries, there was a 29 per cent rise in arrivals from the oil-exporting countries and a 31 per cent increase in imports from the other developing countries. Arrivals from the centrally planned economies rose by 54 per cent reflecting increased imports of oil, timber and precious stones.

AREA PATTERN

Table 2 shows Britain's trade with the main areas of the world from 1970 to 1976 on an overseas trade statistics basis. On this basis, the value of exports in 1976 at £25,778 million, and of imports, at £31,213 million, were both 29 per cent more than their respective values in 1975.

Exports

European Community

Exports to the rest of the European Community in 1976 rose by 43 per cent to £9,174 million. There was a marked increase in deliveries to all other member countries; the sharpest rise being in exports to Belgium and Luxembourg, which were 52 per cent higher than in 1975, with shipments of chemicals, diamonds and transport equipment all increasing faster than this average. The value of exports of petroleum and petroleum products to Denmark, France, the Federal Republic of Germany and the Irish Republic showed marked increases, most strikingly to France, where the value increased from £9 million in 1975 to £71 million in 1976. Higher levels of exports of chemicals, metals and transport equipment also contributed to the increase of 47 per cent in exports to France. Exports to Italy also rose by 47 per cent, partly reflecting the rise in petroleum exports, and despite a fall in shipments of passenger motor cars. Exports of

Table 2

Trade by Area (Overseas Trade Statistics Basis) *£ million*

	1970	1972	1974	1975	1976
EXPORTS (f.o.b.)					
Developed countries	5,914	7,215	12,430	13,994	18,490
of which *EEC*	*2,359*	*2,940*	*5,516*	*6,417*	*9,174*
Rest of Western Europe	*1,368*	*1,730*	*2,952*	*3,369*	*4,275*
North America	*1,231*	*1,600*	*2,263*	*2,329*	*3,098*
Other[1]	*956*	*945*	*1,699*	*1,879*	*1,943*
Developing countries	1,818	2,205	3,594	5,202	6,505
of which *Oil-exporting countries*[2]	*466*	*645*	*1,210*	*2,277*	*3,143*
Other	*1,352*	*1,560*	*2,384*	*2,925*	*3,362*
Centrally-planned economies[3]	308	309	516	667	727
Total all countries	**8,076**	**9,759**	**16,600**	**19,922**	**25,778**
IMPORTS (c.i.f.)					
Developed countries	6,462	8,264	16,093	17,412	22,323
of which *EEC*	*2,440*	*3,520*	*7,713*	*8,786*	*11,396*
Rest of Western Europe	*1,311*	*1,819*	*3,460*	*3,571*	*4,584*
North America	*1,855*	*1,784*	*3,241*	*3,206*	*4,219*
Other[1]	*856*	*1,141*	*1,679*	*1,849*	*2,124*
Developing countries	2,170	2,436	6,376	5,943	7,724
of which *Oil-exporting countries*[2]	*828*	*1,034*	*3,795*	*3,265*	*4,210*
Other	*1,342*	*1,402*	*2,581*	*2,678*	*3,514*
Centrally-planned economies[3]	389	423	742	735	1,133
Total all countries	**9,040**	**11,143**	**23,234**	**24,128**	**31,213**

[1]Australia, New Zealand, South Africa, Japan.
[2]Algeria, Bahrein, Brunei, Ecuador, Gabon, Indonesia, Iran, Iraq, Kuwait, Libya, Nigeria, Oman, Qatar, Saudi Arabia, Trinidad and Tobago, United Arab Emirates, Venezuela.
[3]Soviet Union, Poland, German Democratic Republic, Hungary, Czechoslovakia, Albania, Bulgaria, Romania, People's Republic of China, North Korea, Vietnam, Mongolia.

metals to this market were also substantially higher. Besides increased shipments of petroleum, the 48 per cent rise in the value of goods dispatched to Denmark was widespread among the various commodities, although a noteworthy increase of over 75 per cent in exports of clothing was recorded. The value of shipments to the Federal Republic of Germany in 1976 was £1,834 million, 41 per cent greater than in 1975, while exports of chemicals, transport equipment, and metals each increased in value at a faster rate than this.

Exports to the Irish Republic were 37 per cent higher, with a doubling in the value of passenger motor cars dispatched. The slower rate of increase of 35 per cent in shipments to the Netherlands reflected, in contrast to most countries in the European Community, a relatively subdued increase in exports of petroleum; deliveries of metals, however, rose sharply.

Rest of Western Europe

Exports to the rest of Western Europe rose by 27 per cent. Exports to Sweden also grew at this rate, and it remained Britain's largest market in this area with exports valued at £1,045 million; a rise of 60 per cent in the value of deliveries of petroleum and petroleum products contributing much to the increase. The value of goods dispatched to Norway rose by 22 per cent, while slightly lower levels of machinery and transport equipment exports led to a modest increase of 9·5 per cent in exports to Finland. Increased exports of chemicals and machinery and transport equipment to Spain more than outweighed the small reduction in exports of metals; total exports to Spain rose by 25 per cent. The 24 per cent rise in exports to Switzerland reflected higher diamond exports; excluding diamonds, the value of deliveries was at the same level as in 1975, increases in shipments of a number of commodities being offset by lower exports of sugar (from £23 million to £4 million).

North America

Although exports to the United States rose only slowly in the second half of 1976, in the year as a whole the value of shipments was 38 per cent higher than in 1975. Over this period deliveries of petroleum and petroleum products, chemical elements and compounds, diamonds, electrical machinery and passenger motor cars all increased relatively rapidly, while shipments of whisky and non-electrical machinery remained steady. Much of the increase of 17 per cent in exports to Canada reflected higher levels of exports of basic materials and chemicals.

Other Developed Countries

The importance of the other developed group of countries declined from taking 9·5 per cent of total exports in 1975 to 7·5 per cent in 1976. The value of exports to these countries rose by only 3·5 per cent, with shipments to New Zealand and South Africa lower than in 1975. In both cases there were reduced deliveries of machinery and transport equipment. Exports of machinery and transport equipment to Japan and Australia also fell, the fall to Japan being mainly due to a lower level of exports of aircraft. This fall was more than offset by increased deliveries of other commodities so that the value of all goods dispatched to Japan in 1976 rose by 16 per cent.

Developing Countries

Within the developing countries, deliveries to the oil-exporting countries rose by 38 per cent to £3,143 million. Within this group, exports to Saudi Arabia doubled, from £200 million to £400 million – while shipments to Nigeria were 51 per cent higher. Deliveries to Iran, however, increased by only 3·5 per cent in value, with a sharp fall in basic material exports almost offsetting widespread moderate increases among the other commodity groups.

Exports to Israel increased by 5 per cent to £249 million. The value of diamond shipments, while representing 44 per cent of all exports to this market, was slightly lower in 1976 than in 1975. Among the other developing countries, exports to Brazil and India rose by 8·5 per cent and 26 per cent respectively.

Centrally Planned Economies

The value of exports to the centrally planned economies was £727 million in 1976, an increase of 9 per cent on 1975. Deliveries to the Soviet Union rose by 14 per cent and to Poland by 4·5 per cent (despite a fall of 25 per cent in exports of non-industrial machinery).

Imports

European Community

The value of imports from the rest of the European Community was £11,396 million in 1976, 30 per cent higher than in 1975. Two-thirds of Britain's imports from this source are manufactured goods, and other member countries of the European Community now supply 45 per cent of Britain's total imports of such goods. Britain's major supplier of these goods is now the Federal Republic of Germany (14·5 per cent), ahead of the United States (13 per cent); the United States, however, remains Britain's main source of imports in total, followed by the Federal Republic, the Netherlands, France and Belgium/Luxembourg. In total, imports from the Federal Republic of Germany rose by 38 per cent to £2,757 million, to which greater imports of cars, textiles and plastics contributed. Higher deliveries of cars also contributed to the 37 per cent growth in imports from Belgium and Luxembourg and the 29 per cent increase in imports from France. Other contributing factors in the case of Belgium and Luxembourg were rises in shipments of chemicals, non-ferrous metals, textiles and machinery, and in the case of France, greater deliveries of iron and steel, chemicals and machinery. Increased imports of chemicals, iron and steel and petroleum products were factors influencing the growth in imports from Italy (37 per cent) and the Netherlands (30 per cent) coupled with rises in deliveries of clothing, footwear and textiles from Italy and instruments and soya beans from the Netherlands. The increases in imports from Denmark (14 per cent) and the Irish Republic (9·5 per cent) reflect rises in foodstuffs, particularly dairy produce.

Table 3
Trade by Commodities (Overseas Trade Statistics Basis)

	1970 £ million	%	1975 £ million	%	1976 £ million	%
EXPORTS (f.o.b.)						
Food, beverages and tobacco	514	6·4	1,428	7·2	1,694	6·6
Basic materials	273	3·4	561	2·8	776	3·0
Fuels	207	2·6	814	4·1	1,255	4·9
Manufactures	6,806	84·3	16,459	82·6	21,347	82·8
Machinery and transport equipment	3,301	40·9	8,233	41·3	10,126	39·3
Machinery	2,221	27·5	5,782	29·0	7,062	27·4
Road motor vehicles	834	10·3	1,736	8·7	2,224	8·6
Other transport equipment	246	3·0	715	3·6	840	3·3
Chemicals	784	9·7	2,179	10·9	3,047	11·8
Metals and metal manufactures	959	11·9	1,837	9·2	2,347	9·1
Textiles	396	4·9	699	3·5	934	3·6
Other manufactures	1,366	16·9	3,511	17·6	4,892	19·0
Miscellaneous	276	3·4	660	3·3	707	2·7
Total all commodities	**8,076**	**100·0**	**19,922**	**100·0**	**25,778**	**100·0**
IMPORTS (c.i.f.)						
Food, beverages and tobacco	2,047	22·6	4,335	18·0	4,993	16·0
Fuels	945	10·5	4,301	17·8	5,652	18·1
Industrial materials	3,862	42·7	8,341	34·6	11,296	36·2
Basic materials	1,362	15·1	2,204	9·1	3,223	10·3
Chemicals	543	6·0	1,411	5·8	2,000	6·4
Other semi-manufactures	1,957	21·6	4,726	19·6	6,073	19·5
Finished manufactures	2,072	22·9	6,663	27·6	8,860	28·4
Machinery and transport equipment[1]	1,498	16·6	4,794	19·9	6,389	20·5
Machinery[1]	1,199	13·3	3,614	15·0	4,637	14·9
Road motor vehicles	169	1·9	883	3·7	1,398	4·5
Other transport equipment	130	1·4	297	1·2	354	1·1
Other finished manufactures	574	6·3	1,869	7·7	2,471	7·9
Miscellaneous	113	1·2	489	2·0	412	1·3
Total all commodities	**9,040**	**100·0**	**24,128**	**100·0**	**31,213**	**100·0**

[1]Includes North Sea production installations.

Rest of Western Europe

There was an increase of 28 per cent to £4,584 million in the value of imports from the rest of Western Europe. Although much of the rises of 41 per cent and 34 per cent in arrivals from Finland and Sweden respectively can be attributed to shipments of North Sea oil and gas production installations, there were also considerable increases in imports of timber, wood pulp, paper and paperboard from these countries after the low level of such imports in 1975. Increased arrivals of iron ore and aluminium imports from Norway were partly offset by lower imports of North Sea installations, resulting in a 3 per cent growth in imports from this source. Imports from Switzerland increased by 31 per cent, to which higher deliveries of chemicals, non-metallic mineral manufactures and non-electrical machinery contributed.

North America

Imports from North America rose by 32 per cent in 1976 to reach £4,219 million. Greater shipments of cereals, fruit and vegetables accounted for part of the rises of 31 per cent in imports from the United States and of 36 per cent in those from Canada; other significant factors were increased imports of metal ores, chemicals and machinery from the former and timber, wood pulp, paper and paperboard, and copper from the latter. In 1976 Canada displaced Zambia as Britain's major source of copper supplies.

Other Developed Countries

Imports from the other developed countries rose by 15 per cent to £2,124 million. By far the greatest increase was in the value of deliveries from Australia which rose by 41 per cent, largely the result of greater shipments of foodstuffs, especially meat and sugar, textile fibres and lead – which far outweighed a drop in deliveries of coal. Imports from New Zealand, chiefly meat, dairy produce and wool, increased in value by 20 per cent. Greater deliveries of machinery and transport equipment led to an increase of 18 per cent in imports from Japan, despite the halving of iron and steel imports from this source. Imports from South Africa fell by 3 per

cent, reflecting restrictions on the trade in gold coins introduced in April 1975 (see p 196, 1975).

Developing Countries

Deliveries from the developing countries rose by 30 per cent to £7,725 million. This included a rise of 12 per cent in imports from Latin America, mainly due to greater shipments of iron ore from Brazil, copper from Chile and tin from Bolivia, and a 35 per cent rise in imports from the Middle East and North Africa, which includes many of the oil-exporting countries and where the rise in imports reflects increased prices for crude oil. Among the oil-exporting countries, imports from Iran grew by 50 per cent, reflecting an increase in the quantity of crude oil shipped from this source. An increase in the quantity of crude oil imports from Kuwait led to a 40 per cent growth in imports from this source, while imports from Saudi Arabia rose by 14 per cent as the quantity of crude oil shipments from that country fell to below that from Iran.

Centrally Planned Economies

Imports from the centrally planned economies as a whole rose by 54 per cent while, within this area, imports from the Soviet Union increased by 71 per cent, reflecting higher shipments of crude oil, timber and non-metallic mineral manufactures.

COMMODITY PATTERN

Table 3 shows the pattern of Britain's overseas trade by commodities in 1970, 1975 and 1976.

Balance of Payments in 1976

Britain's current account in 1976 is now estimated to have been in deficit by £1,423 million (see also p 83), some £200 million less than in 1975.[1] The improvement largely reflects an unexpectedly favourable outcome on invisible trade, with surpluses of over £610 million in each of the last two quarters of 1976 and of £2,169 million in the year as a whole, some £610 million more than in 1975. The deficit on visible trade in 1976 was £3,592 million, the increase of £397 million since 1975 occurring despite an increase of 8 per cent in the volume of exports and only a 6 per cent increase in the volume of imports, and reflecting the slight fall of 0·5 per cent in the terms of trade index between the two years. The deterioration in the trade balance also occurred despite an increase in the value of indigenously produced oil from £50 million in 1975 to between £600 million and £700 million in 1976. Within the invisibles account, the surplus on services grew strongly in 1976, by some £800 million. Earnings from travel rose sharply and receipts from financial and allied services and from construction work overseas also showed considerable increases, which more than offset the deterioration in the Government services and sea transport accounts. The net surplus on interest, profits and dividends also rose significantly by some £170 million, the increase in net private earnings offsetting a deterioration in the public sector account. On the other hand, the net outflow on account of Government transfers increased by almost £400 million, largely reflecting higher net payments to the European Community. There were rises in the net earnings of British oil companies and those of British banks from their net lending in the Eurocurrency market but the substantial increases in the earnings from the overseas investments of other British companies were wholly offset by the increased profits on foreign companies' direct investments in Britain.

Despite improvements in the fourth quarter, the capital account in 1976 was exceptionally unfavourable. After substantial inflows on investment and other capital transactions in 1974 and 1975, there was an outflow of £1,938 million in 1976, despite substantial North Sea inflows, and an adverse balancing item of £270 million, representing errors and omissions. The deterioration was spread widely through the accounts. Changes in the levels of Britain's external liabilities and claims in sterling produced an outflow of about £2,300 million. Overseas official holdings of sterling balances were reduced by £1,407 million, mainly in the second and third quarters of the year. Sterling lending overseas by British banks rose by £1,167 million, mainly increased credit on British exports. Private direct investment overseas is estimated at about £1,650 million, some £550 million higher than in 1975.

The deficit for official financing of £3,628 million in 1976 as a whole was met by drawing £1,018 million from the International Monetary Fund (IMF), by the public sector borrowing £1,791 million under the exchange cover scheme and by drawing £853 million from the official reserves.

Details of visible trade in 1976 are given in the article on pp 108-13 which includes some additional information on the balance of payments.

INVISIBLES

The net surplus on invisibles is estimated at £2,169 million, an increase of £609 million or nearly 40 per cent compared with 1975. There were particularly large increases on the travel, civil aviation and other services accounts, and in private sector interest, profits and dividends. Set against these increases there was an increasing net deficit as a result of Government services and transfer payments. The balance of visibles and invisibles is shown in Table 1.

Government Account

The net deficit on Government services and transfers was, at £1,556 million, some 50 per cent higher than in 1975. In particular, contributions to the European Community budget increased by £125 million to £475 million; receipts from the Community by contrast were £142 million lower at £221 million, partly because of a change in the arrangements by which compensatory payments on imports from the Community are made under the common agricultural policy (see p 289, 1976). Expenditure abroad on military services, mostly in

[1] Treasury and Central Statistical Office press notices, 8.3.77.

Table 1
Current Account

£ million

	1974	1975	1976
Visible trade			
Exports (f.o.b.)	16,450	19,379	25,294
Imports (f.o.b.)	21,671	22,574	28,886
Visible balance	− 5,221	− 3,195	− 3,592
Invisibles			
Services (net): Government	− 543	− 628	− 760
Private[1]	+ 1,457	+ 1,728	+ 2,700
Interest, profits and dividends (net):			
Public sector	− 330	− 505	− 639
Private sector	+ 1,663	+ 1,425	+ 1,725
Transfers (net): Government	− 320	− 379	− 796
Private	− 86	− 81	− 61
Invisible balance	+ 1,841	+ 1,560	+ 2,169
Current balance	− 3,380	− 1,635	− 1,423

[1]Including public corporations.

the Federal Republic of Germany, increased by £180 million to £833 million, mainly because of exchange rate movements.

Sea Transport

There was a fall of £63 million in the net results of sea transport operations, a net credit of £12 million in 1975 changing to a net debit of £51 million in 1976. The net credit on dry cargo operations remained almost constant, despite the falling value of sterling, but increased credits of some £200 million due to tankers were more than offset by a £255 million increase in debits.

Travel

The net credit on the travel account rose from £236 million in 1975 to an estimated £629 million in 1976. Partly as a result of the continued depreciation of sterling, overseas visitors were encouraged to come to Britain in increasing numbers, spending some 45 per cent more sterling, whereas the expenditure abroad by British residents increased by only 13 per cent.

Air Transport

As a consequence of this changing pattern of travel, the net credit on civil air transport operations more than doubled, reaching £270 million against £131 million in 1975. Differential rates of growth resulted in debits increasing by some 20 per cent, to £780 million, while credits rose by 35 per cent to £1,050 million.

Other Services

Net earnings from other services increased by some £500 million. There was a general increase in debits, totalling nearly £200 million, mostly as a reflection of the change in the value of sterling, but there were large increases in earnings from many sources: the earnings from financial and allied services, including insurance and banking, increased by £180 million to £935 million; overseas construction earnings rose by £184 million to £476 million; and expenditure in Britain by overseas students and Governments is estimated to have increased by £100 million.

Interest, Profits and Dividends

Though net earnings on interest, profits and dividends increased by £166 million to £1,086 million, they were still well below the record net earnings of 1973 and 1974. Net payments by the public sector continued to grow, and at £639 million, were over three and a half times greater than in 1973. At £1,725 million the net surplus in the private sector was £300 million higher than in 1975. Increases in both credits and debits were partly due to the effects of the depreciation of sterling which increased the sterling value of all foreign currency flows.

Provisional estimates show that the earnings of British companies on their direct investments overseas were £1,925 million, some £340 million higher than in 1975. A major part of the 21 per cent rise was caused by the continuing depreciation of sterling. The share of unremitted profits in these earnings increased to over 60 per cent – the highest annual share ever recorded – and in consequence, the share of dividends remitted to Britain fell, though the level has remained much the same as in 1975. Earnings of overseas companies on their direct investments in Britain are estimated to have increased by nearly 60 per cent to just below £1,000 million. Associated with the recovery was a doubling of unremitted profits so that in 1976 well over a half of direct earnings was reinvested in Britain. British oil companies increased their earnings on their overseas investments in 1976, though they

still fell well short of the record overseas earnings of 1973 and 1974. Overseas oil companies made a net loss on their investments in Britain. This was largely due to their expenditure on exploration on the United Kingdom Continental Shelf.

There was little change in the portfolio income of British residents, which has remained at approximately the same level since 1973 owing to large disinvestments in 1973, 1974 and 1976. This has been partly offset by the effect of the depreciation of sterling which has increased the sterling equivalent of the earnings measured in foreign currencies. Dividend and interest payments on non-resident holdings of portfolio investment increased by £65 million.

There was a substantial increase in the interest earned on sterling lending, including lending to non-residents for financing of British exports. This reflects the large increase in claims during 1975 and 1976, and some increases, on average, in interest rates. British banks' earnings on their borrowing and lending in overseas currencies grew sharply as their external assets in overseas currencies also increased rapidly. The growth in these credits was partially offset by a fall in interest earned on Britain's official reserves, caused by the falling level of the reserves, and by lower interest rates in New York and other overseas financial centres. Interest paid on sterling balances also fell as the level of balances fell sharply, though the increase, on average, in sterling interest rates prevented the fall in payments being even greater. There were substantial increases in interest paid abroad by the public sector on its Eurocurrency borrowing, reflecting both a considerable increase in liabilities and the depreciation of sterling. However, by exercising its right (under a financial agreement of 1957) to defer most of the payments due at the end of 1976 on certain North American post-war loans, the Government reduced its interest payments on these loans by £33 million.

Table 2
Analysis of Capital Flows and Official Financing

£ million

	1974	1975	1976
Current balance	− 3,380	− 1,635	− 1,423
Capital transfers[1]	− 75	−	−
Investment and other capital flows:			
Official long-term capital	− 276	− 288	− 156
Overseas investment in UK public sector	+ 250	+ 43	+ 203
Overseas investment in UK private sector	+ 2,278	+ 1,799	+ 2,124
UK private investment overseas	− 1,149	− 1,377	− 1,923
Overseas currency borrowing or lending (net) by UK banks:[2]			
Borrowing to finance UK investment overseas	+ 275	+ 290	+ 125
Other borrowing or lending (net)[3]	− 569	− 52	− 13
Exchange reserves in sterling:[4]			
British Government stocks	− 124	+ 7	+ 14
Banking and money market liabilities	+ 1,534	− 624	− 1,421
Other external banking and money market liabilities in sterling	+ 148	+ 550	+ 255
Import credit[5]	+ 162	+ 234	+ 330
Export credit[5]	− 809	− 636	− 996
Other short-term flows	−+ 39	414	− 480
Total investment and other capital flows	+ 1,681	+ 360	− 1,938
Balancing item	+ 128	− 190	− 267
Balance for official financing	− 1,646	− 1,465	− 3,628
Official financing			
Net transactions with:			
IMF	−	−	+ 1,018
Other monetary authorities	−	−	− 34
Foreign currency borrowing:			
by HM Government[6]	+ 644	+ 423	−
by public sector under exchange cover scheme	+ 1,107	+ 387	+ 1,791
Drawings on (+)/additions to (−) official reserves[7]	− 105	+ 655	+ 853
Total official financing	+ 1,646	+ 1,465	+ 3,628

[1] Payments under the Sterling Agreements of 1968, as renewed in 1971 and as unilaterally renewed in September 1973.
[2] Including certain other financial institutions.
[3] Excluding changes in levels resulting from changes in sterling valuation.
[4] Sterling reserves of overseas countries and international organisations, other than the IMF; as reported by banks, etc, in the United Kingdom.
[5] Excluding trade credit between related firms; after deducting advance and progress payments to suppliers.
[6] Drawings on a Euro-dollar facility for the British Government to borrow $2,500 million.
[7] Valued in sterling at transactions rates of exchange.

Table 3
Inward and Outward Investment[1] – Private Sector

£ million

	1974	1975	1976
Overseas investment in UK private sector			
Direct			
Unremitted profits[2]	+ 243	+ 240	+ 564
Other	+ 594	+ 285	+ 137
Investment in UK company securities	+ 134	+ 32	+ 205
Oil and miscellaneous	+1,307	+1,242	+1,218
Total	+2,278	+1,799	+2,124
UK private investment overseas			
Direct			
Unremitted profits[2]	— 851	— 879	—1,199
Other	— 724	— 221	— 453
Portfolio	+ 755	— 37	+ 153
Oil and miscellaneous	— 329	— 240	— 424
Total	—1,149	—1,377	—1,923

[1]Net of disinvestment. Assets: increase —/decrease +. Liabilities: increase +/decrease —.
[2]Excluding unremitted profits of branches.

INVESTMENT AND OTHER CAPITAL FLOWS

During 1976 there was a net outflow of £1,938 million in identified investment and other capital flows, compared with a net inflow of £360 million in 1975.

Official Long-term Capital

The outflow of official long-term capital, at £156 million, was £132 million less than in 1975. Principal causes of this fall were decreases of £61 million in aid lending (net) and of £49 million in North American loan repayments. In 1976 Britain once again exercised the right it has under the terms of these loans (see above) to defer repayment in any of up to seven years of its choice.

Overseas Investment in Britain

Private investment overseas (see below) was more than offset by overseas investment in the private sector (see Tables 2, 3), which rose in 1976 to £2,120 million, some £325 million higher than in 1975. Direct investment in Britain by foreign companies (excluding oil companies) increased by £176 million to some £700 million. Between 1973 and 1975, reinvested profits were less than half of direct investment in Britain, but with the recovery of profits due abroad in 1976 they financed well over three-quarters of the investment. Foreign oil companies' investment in Britain remained at the high level of 1974 and 1975, as activity on the United Kingdom Continental Shelf continued. Direct borrowing (net) abroad by the private sector resulted in a net inflow as borrowing continued to exceed repayments. However, for the third year in succession, the net inflow fell with borrowing falling and repayments rising.

Overseas investment in the public sector (see Table 2) stood at some £203 million, over half of this being in British Government stocks. Non-residents increased their holdings, probably as a result of higher interest rates.

British Investment Overseas

Private investment overseas in 1976 reached some £1,920 million, an increase of nearly £550 million compared with 1975. Direct investment overseas by British companies (excluding oil companies) is provisionally estimated to have been £1,652 million, again some £550 million higher than in 1975. Unremitted profits increased by £320 million but their share of total direct investment fell back to just over 70 per cent from the very high figure of about 80 per cent in 1975. After a small net investment in 1975, there was a net investment of £153 million from portfolio holdings overseas; there being net portfolio disinvestment of nearly £1,200 million over the last four years. (Accruals to Britain's official reserves under the 25 per cent surrender requirement[1] were £176 million.) Oil companies' and miscellaneous investment overseas totalled £424 million.

Banks' Overseas Activities

Overseas currency borrowing or lending (net) by British banks, excluding borrowing by the public sector under the exchange cover scheme and by the Government under the $2,500 million loan facility, grew considerably during the year with liabilities and claims each increasing by around £23,000 million. After discounting the enhanced sterling values of these stocks of liabilities and claims consequent upon the depreciation of the sterling exchange rate, there was a net outflow (increase in net liabilities), mainly from oil-exporting countries, of £112 million in 1976 compared with

[1] This refers to the 25 per cent of disinvested overseas portfolio assets which have to be surrendered to the official reserves under exchange control rules.

£238 million in 1975. Increased repayments of borrowing to finance British direct investment overseas resulted in total net borrowing for investment overseas declining from £290 million in 1975 to £125 million in 1976. Other transactions of British banks resulted in a small net outflow of £13 million in 1976 compared with one of £52 million in 1975.

Sterling Exchange Reserves

The year 1976 was characterised by the depreciation of sterling and an outflow of sterling from Britain; sterling balances fell by £1,152 million. The exchange reserves in sterling of overseas central monetary institutions fell by over £1,400 million, of which over £800 million was in external sterling deposits, and over £600 million was in Treasury Bills. The fall was almost entirely accounted for by the disinvestments of the oil-exporting countries. At the end of 1976, their sterling exchange reserves stood at £1,421 million, almost exactly half the level of 1975, and over £2,000 million lower than they had been at their peak in early 1975. Other external banking and money market liabilities in sterling (to holders other than central monetary institutions) rose by £255 million, half of which was due to investment in sterling by other European Community countries.

Import and Export Credits

Net unrelated import credit received in 1976 is estimated to have been £330 million compared with £234 million in 1975. Identified long-term credit (on ships, aircraft and North Sea installations) declined from a net credit of £54 million in 1975 to a net repayment of £69 million in 1976. Advance and progress payments were also less positive in 1976 – both of these headings being affected by the lower value of ships imported during the year – while other import credit received increased substantially from the low total of £75 million in 1975 to £368 million in 1976.

There was a net increase in unrelated export credit extended (including suppliers' credit) in 1976 of £996 million compared with an increase of £636 million in 1975. Net credit extended by British banks under the fixed rate scheme of the Export Credits Guarantee Department (identified long-term) increased from £633 million in 1975 to £703 million in 1976. The majority of the increase, however, was accounted for by net credit extended by suppliers which rose from £136 million in 1975 to £408 million in 1976 and was more in line with the increases observed in 1973 and 1974.

Other Short-term Flows

Net sterling lending by British banks, including funds to finance British exports, increased by £1,167 million in 1976. Net lending not associated with the finance of British exports (included in other short-term flows, see Table 2) increased rapidly during the year to £345 million in spite of net repayments in the fourth quarter following the exchange control regulations prohibiting sterling lending for financing of third country trade (see p 472, 1976).

Balancing Item

The balancing item, which is derived as the discrepancy between the use (or accruals) of official financing and the identified deficit (or surplus) implied by the estimates of current account, investment and other capital transactions, was negative at £267 million. It includes unidentified timing and valuation differences between transactions and settlements, aggravated by fluctuating exchange rates and errors and omissions including unidentified capital flows. A number of the figures, particularly in the accounts for investment and other capital flows, are preliminary estimates and are liable to substantial revision as later and more complete information becomes available.

OFFICIAL FINANCING

For 1976 as a whole there was a deficit for official financing of £3,628 million. Drawings from the IMF totalled £1,018 million and comprised £580 million (SDR[1] 1,000 million) from the oil facility in January 1976 and £438 million (SDR 700 million) on the first credit tranche during May. (The drawing of Britain's gold tranche in January had no overall effect on the official reserves, merely changing their composition.) In June and September £890 million ($1,545 million) was drawn on the $5,300 million short-term credit facility; when this was repaid in December, the sterling value at current market rates was £924 million. Borrowing under the exchange cover scheme totalled £1,791 million and the reserves were drawn down by £853 million.

EXCHANGE RATES

There has been a considerable decline in the sterling exchange rate during 1976, particularly between February and May and in September and October. At the end of 1975 the exchange rate was £1 = $2·0233 and the effective exchange rate index was 72·2 (December 1971 = 100). The exchange rate was little changed at the end of February but by the end of May had fallen to £1 = $1·7590. For the next three months, despite fluctuations, the rate changed relatively little but during September and October dropped some 20 cents, and then recovered partially, to £1 = $1·7150, by the end of 1976.

Overseas Direct Investment

The book value of British net direct investment overseas, excluding oil, banking and insurance, amounted to about £10,100 million at the end of 1974, while that of corresponding foreign net direct investment in Britain totalled about £6,600 million at the same date. These are the overall results of the latest Department of Industry triennial inquiry into the book values of overseas net direct investment published in the 25 February issue of *Trade and Industry*.

[1] Special Drawing Rights.

Table 1

Outward Investment: Values of direct outward investments by area and country, 1962-74. Book values of net assets attributable to the United Kingdom at year ends in £ million

	1962	1965	1968	1971	1974
WESTERN EUROPE	455·4	647·3	984·7	1,461·5	2,781·1
EEC[1]	272·9	392·2	628·9	985·2	2,196·5
Belgium and Luxembourg	62·1	67·7	112·3	149·7	290·2
Denmark					72·2
France	84·1	117·6	180·5	247·5	459·5
Federal Republic of Germany	65·0	110·8	179·3	305·7	626·6
Irish Republic					312·1
Italy	33·8	39·8	60·3	93·0	198·6
Netherlands	27·9	56·3	96·5	189·3	237·3
EFTA[2]	82·8	114·5	152·7	192·2	377·2
Austria	3·3	5·0	6·9	14·2	81·4
Denmark	11·0	17·0	27·4	26·9	
Finland	2·9	5·3	5·4	7·5	13·8
Norway	8·8	10·5	11·3	14·5	23·1
Portugal	27·2	32·9	28·2	35·4	52·0
Sweden	10·9	17·0	29·9	38·4	93·9
Switzerland	18·7	26·8	43·6	55·3	113·0
Other Western Europe[3]	99·7	140·6	203·1	284·1	207·4
of which: Irish Republic	67·2	93·0	119·0	179·6	
Spain	24·9	36·1	60·0	80·4	151·8
NORTH AMERICA	785·3	919·0	1,286·9	1,465·7	2,214·5
Canada	484·0	531·4	686·9	671·0	941·2
USA	301·3	387·6	600·0	794·7	1,273·3
OTHER DEVELOPED COUNTRIES	922·9	1,259·1	1,722·6	1,984·7	2,968·2
Australia	520·4	712·9	966·4	1,137·5	1,747·2
Japan	4·0	5·9	11·0	15·9	39·7
New Zealand	108·5	137·1	139·7	155·7	184·0
South Africa[4]	290·0	391·7	585·6	651·7	997·2
Other countries *nsd*	—	11·5	19·9	23·9	—
REST OF THE WORLD	1,241·4	1,384·6	1,591·1	1,755·0	2,154·0
Africa	413·6	404·8	480·3	594·0	737·5
Middle East	14·2	18·9	26·9	32·4	63·8
Other Asia	529·2	590·2	622·6	675·1	868·4
Caribbean, Central and Southern America	277·4	358·8	451·3	488·5	464·5
Other	7·0	11·9	10·0	–35·9	19·8
WORLD	3,405·0	4,210·0	5,585·3	6,666·9	10,117·8
of which: Commonwealth	2,048·9	2,427·8	3,013·0	3,364·3	4,500·7
Developing Countries[5]	1,273·6	1,431·6	1,668·3	1,859·4	2,412·8
Oil Exporting Countries	161·5	148·7	170·0	246·5	319·2

Source: *Trade and Industry*, 25.2.77.

[1]EEC total is for the six founder members except in 1974 where the total is for the members of the enlarged Community.
[2]EFTA total includes Denmark except in 1974.
[3]Other Western Europe total includes the Irish Republic but not in 1974.
[4]Includes Namibia (South West Africa) prior to 1974.
[5]Consists of Portugal (in 1974 only), Other Western Europe (except the Irish Republic), and the Rest of the World.
nsd = not specifically designated.

Book values of net assets, which at present usually reflect the historic cost of investments made at various past dates, will tend to underestimate the current values of net assets, particularly during periods of high inflation and may not always reflect changes caused by exchange rate fluctuations. They are, however, the only values which are readily available.

The inquiry covered both the direct investments abroad of British enterprises (outward investment) and the direct investments in Britain of overseas enterprises (inward investment). All industrial and commercial investments, other than those of oil companies, were covered. Banking and insurance investments were not covered because of problems of definition.

Area Analysis

The book value of outward investment (see Table 1) increased by just over a half between 1971 and 1974, compared with a rise of about a fifth between 1968 and 1971. The larger rise between 1971 and 1974 than in previous periods reflected in part the depreciation of sterling during the period and to some extent the higher rates of inflation which may have caused some assets to be revalued upward. The

major area of expansion was Western Europe, where the book value of investment almost doubled between 1971 and 1974. Within Western Europe during the same period, the value of investments in countries of the European Free Trade Association (EFTA), excluding Denmark more than doubled, while those in European Community countries, including Denmark and the Irish Republic, rose by nearly 85 per cent. As a proportion of total outward investment, the value of investments in Western Europe increased from over one-fifth in 1971 to over a quarter in 1974. The value of investments in North America, at 22 per cent of the total in 1974, and Other Developed Countries, at over 29 per cent of the total, accounted for much the same proportions of the total as in 1971. Australia, with over 17 per cent of the total in 1974, remained the single most important country for British direct investment overseas.

The only area in which the value of outward investment decreased between 1971 and 1974 was the Caribbean and Central and Southern America, where the value fell by some 5 per cent. This fall, however, was wholly associated with the growth of financial subsidiaries set up by British enterprises in order to raise funds on the international money market for worldwide investment. In the calculation of the book value of net assets attributable to British enterprises, current assets of subsidiaries, due from their parent companies, are discounted (essentially because they are current liabilities of the parent company), so that this fund raising leaves the subsidiaries with net current liabilities attributable to their British parent enterprises. The rise in such liabilities between 1971 and 1974 more than offset the rise in attributable net assets from other investments in the area.

The book value of inward investment (see Table 2) increased by nearly three-quarters between 1971 and 1974 compared with a rise of about two-fifths between 1968 and 1971. Although the faster rate of growth between 1971 and 1974 than in earlier

Table 2

Inward Investment: Book value of direct investments by country and area, 1962-74

£ million

	1962	1965	1968	1971	1974
WESTERN EUROPE	298·8	397·0	594·3	891·6	1,850·5
EEC[1]	133·7	178·4	278·2	472·9	1,084·2
Belgium and Luxembourg	8·9	12·9	14·7	40·4	209·7
Denmark					64·4
France	31·5	40·2	51·0	80·4	162·8
Federal Republic of Germany	5·7	12·8	26·6	59·8	168·2
Irish Republic					27·7
Italy	13·8	17·3	17·7	74·0	114·4
Netherlands	73·8	95·2	168·2	218·3	337·1
EFTA[2]	158·6	210·8	309·6	409·3	751·7
Denmark	7·4	6·4	13·1	21·9	
Finland	3·5	6·5	10·2	18·4	53·5
Norway	0·9	1·8	2·5	4·6	33·4
Sweden	24·0	28·4	59·7	75·8	165·7
Switzerland	122·5	167·0	221·6	286·4	493·8
EFTA *nes*	0·3	0·7	2·5	2·2	5·3
Other Western Europe[3]	6·5	7·8	6·5	9·4	14·6
Irish Republic	2·3	2·3	1·2	3·6	
Spain	—	—	—	—	11·8
Other Western Europe *nes*	—	—	—	—	2·7
NORTH AMERICA	1,085·7	1,546·7	2,054·8	2,718·7	4,086·3
Canada	169·2	229·8	232·0	270·7	422·3
USA[4]	916·5	1,316·9	1,822·8	2,448·0	3,664·0
OTHER DEVELOPED COUNTRIES	32·7	20·5	48·6	156·5	302·9
Australia	8·5	4·5	6·0	29·2	59·6
Japan	–4·0	–5·6	1·7	13·3	–18·5
New Zealand	1·5	0·7	4·1	5·6	11·4
South Africa	26·7	20·9	36·8	108·4	250·3
REST OF THE WORLD	12·5	35·7	30·3	50·2	345·7
Asia	0·8	—	1·3	11·9	216·5
Caribbean, Central and Southern America	10·6	—	28·8	38·9	127·9
Other	1·1	—	0·2	–0·6	1·3
WORLD	1,429·7	1,999·9	2,728·0	3,817·0	6,585·3

Source: *Trade and Industry*, 25.2.77.

[1]See footnote 1, Table 1.
[2]See footnote 2, Table 1.
[3]See footnote 3, Table 1.
[4]In 1962 Panama was classified as a Developed Country and was included with USA.
nes = not elsewhere specified.

periods largely reflected a real growth in inward investment, some part of the rise reflected upward revisions to the values of existing assets, which may have been due to the higher rate of inflation in Britain in the period 1971-74 than that in earlier periods. The main areas of growth were investments from Western Europe, Asia and the Caribbean and Central and Southern America. Within Western Europe, investments from other members of the European Community, including Denmark and the Irish Republic, more than doubled in value between 1971 and 1974, while those from EFTA countries excluding Denmark almost doubled. The large rises in the value of investments from Asia and the Caribbean and Central and Southern America were due to a small number of large investments made between the end of 1971 and the end of 1974 rather than to a more general rise in investment activity. Investment from the United States, which at the end of 1971 accounted for 64 per cent of the value of total inward investment, did not grow as fast as that from other areas and at the end of 1974 accounted for 56 per cent of the total value. The only country whose investments showed a fall in value between 1971 and 1974 was Japan, but this fall can be explained by the special nature of the majority of Japanese investment in Britain, which is merchanting. The branches of large Japanese enterprises acting as merchants in Britain have built up large current liabilities to third parties which are not matched by current assets due from third parties, as much of the merchanting is done on behalf of the Japanese parent companies. The current assets due from the parent companies are discounted in the calculation of attributable net assets (since they are current liabilities of the Japanese parent companies) and the merchanting branches are thus left with growing net attributable current liabilities.

Type of Investment

The branch form of investment has declined in importance in both outward and inward investment. At the end of 1971 this form of investment accounted for about 10 per cent of the value of outward investment and 4 per cent of that of inward investment, but by the end of 1974 had fallen to about 8 per cent and 1 per cent respectively. On the other hand, the associate[1] form of investment has increased in importance, accounting for 8 per cent and 10 per cent of the value of outward investment in 1971 and 1974 respectively, and 10 per cent and 14 per cent of the value of inward investment at the same dates. The subsidiary form of investment, however, remains the most important – accounting for 82 per cent of outward investment and over 84 per cent of inward investment in 1974.

Industry Analysis

About three-fifths (£6,017 million) of outward investment at the end of 1974 was in manufacturing industry, predominantly in the food, drink, tobacco and chemical industries, which together accounted for 45 per cent of investment in manufacturing industry. Mechanical and electrical engineering taken together accounted for a further 19 per cent. Among non-manufacturing industries, distribution accounted for 41 per cent of the total, and the next largest, mining and quarrying, for 16 per cent. Of all industries, both manufacturing and non-manufacturing, the largest total investment was in distribution, which accounted for 17 per cent of the total. The split between manufacturing and non-manufacturing industries varied considerably from one area to another, manufacturing industry being predominant in developed countries, and non-manufacturing in developing areas, particularly Africa and Asia.

Over 70 per cent (£4,700 million) of inward investment at the end of 1974 was concentrated in manufacturing industry, a smaller percentage than in 1971, when such investment accounted for over four-fifths of the total. The investment was again, as with outward investment, mainly in food, drink and tobacco, chemicals and mechanical and electrical engineering, though the latter two, at 34 per cent of investment in manufacturing industry, accounted for more than the former which accounted for 28 per cent. Distribution was again predominant among non-manufacturing industry, accounting for 46 per cent of the total of such investments. Investments from North America were largely in manufacturing industries, which accounted for 83 per cent of the total from North America, whereas those in manufacturing from Western Europe accounted for 63 per cent of the total from Western Europe. Investments from Other Developed Countries and the Rest of the World were predominantly in non-manufacturing, which accounted for 82 per cent of the total investment from these areas.

[1] An 'associate' is a company in which an investment is held, which is not a subsidiary but which the investing company regards as a trade investment.

Prices Policy

NEW PROPOSALS

Proposals for a new prices policy to succeed the present price control powers (see pp 283, 330-1, 1976) when they expire on 31 July 1977 were outlined in a consultative document[1] issued by Mr Roy Hattersley, Secretary of State for Prices and Consumer Protection, on 22 February. Under the proposals, which are described in greater detail below, price control in Britain would continue indefinitely, though in a more flexible form than at present. Announcing that there would be a month of consultation on the document, Mr Hattersley said that he 'looked forward to hearing the formal response of trade unions, industry and the consumer movement'.

Mr Hattersley's Speech

Introducing the proposals at a luncheon of the Industrial Society in London, Mr Hattersley said that overcoming inflation had to continue as one of the Government's top priorities and that there was only one way in which that objective could be

[1] *A New Prices Policy*. Available from the Prices Policy Division, Department of Prices and Consumer Protection, 1 Victoria Street, London SW1H 0ET.

achieved – the creation of an economy in which the sterling exchange rate was stabilised, domestic credit expansion restrained and the progress towards increasing exports and expanding production accelerated (see also pp 22-6). Mr Hattersley referred to the fact that for almost a year [following the introduction of the £6 pay policy – see p 269, 1975] Britain's inflation rate steadily declined; the six months of unremitting inflation which followed had been largely the result of the depreciation of sterling. This, he said, was irrefutable evidence that the best prices policy Britain could have was an economic strategy that eventually created a stable pound and an expanding economy. Those who asked the Government to put its present policies at risk – either by abandoning wage restraint or once more planning to spend more than the country earned – did not serve the interests of the British people. Falling living standards could not be restored by a simple abandonment of the social contract (see p 328, 1976), a sudden increase in public expenditure or a haphazard price freeze that squeezed profits, prevented new investment and created more unemployment. The fact remained, Mr Hattersley went on, that there was no alternative to the Government's present policies and that at a time of high inflation only a statutory prices policy could ensure and demonstrate that small sections of the industrial community were not making unacceptably high profits at the expense of the majority of consumers who had accepted restraint as the price of national recovery. Prices policy had also to fit in with the needs of the Government's overall industrial strategy (see p 434, 1975) and in order not to deter enterprise or inhibit growth, the policy which succeeded present price controls had to be something new and different.

Mr Hattersley said that he saw price control as not just related to wage restraint, but as having a more lasting importance. For the mixed economy to prosper and survive, he went on, 'there need to be ground rules which ensure that it works on behalf of the whole community . . . . The monpolies and mergers legislation of the last 30 years has provided valuable protection against the exploitation of market power. The proposals I announce . . . will extend and improve that process.'

Main Proposals

In the document the Government proposes the maintenance of a Price Code, but without cost-based controls on the prices of individual manufacturing and service firms. (Briefly described, the code is a large body of rules applicable to all enterprises, which provide that companies must stay within profit levels typical of the period prior to control [in 1973]; and that manufacturing and service companies can increase their prices in relation to the increase, since pre-control days, in certain allowable costs. There are certain reliefs, notably those geared to investment outlays.) The document says that the present cost control rules have become 'over-complicated and inflexible, and arbitrary and outdated in their application to individual products' and that they are to be superseded by a new investigatory system for the Price Commission.

The Government considers that the weakness of the present investigatory system lies in the fact that few specific powers are available to it to act on recommendations made by the Price Commission, following an investigation; and feels that the results that can be achieved on a voluntary basis by negotiation with the interests concerned, while useful, are not sufficient. It therefore proposes to strengthen the investigatory system as a central part of the new policy. Under the proposals the commission, which would continue to be 'pre-notified' of proposed price increases by the larger enterprises, would be able to select for investigation price increases, or increases in profit margins, by any company (with some exceptions, such as coal and steel prices, which are regulated by the European Community). The aim would be to determine whether these prices or profit margins were reasonable in the light of criteria, to be laid down by statute, which would include in particular:

1 allowance for costs unavoidably incurred in the efficient supply of goods and services, taking account of the maintenance of the value of the business;

2 the encouragement of the reduction of costs by improving the use of resources, while ensuring that the consumer shares in the resulting benefits;

3 the earning of profits which give a real rate of return on capital employed sufficient to meet the cost of finance, including compensation for the business risk, and to sustain investment in expansion, innovation and technical improvement;

4 the maintenance of quality and the satisfaction of changing consumer demands for goods and services;

5 the encouragement of competition as contributing to price stability; or where competition is unavoidably limited, the protection of the consumer against abuse of market power;

6 the promotion of equilibrium between supply and demand and the avoidance of serious shortages or adverse effects on the balance of payments; and

7 the maintenance and expansion of the British share of world markets.

(Mr Hattersley emphasised that unlike the Price Code, these criteria are not a body of rules, but a statement of the economic considerations which the Government believes should influence pricing decisions.) The Secretary of State would have powers to act on the commission's recommendations, subject to the approval of Parliament; and the present programme of references by the Secretary of State to the commission of more general questions about prices and pricing practices would be maintained, together with the necessary powers for him to act on the commission's recommendations, subject to the approval of Parliament.

Analysing the differences between his new proposals and the present system of price control, Mr Hattersley said: 'Under the old [present] code we had two options. The first was to run the whole scheme at so restrictive a level that profits were squeezed to a point where new investment was impossible. The second was to encourage investment in the least profitable firms by operating so loose a control that many companies made unacceptable profits which were not re-invested. The new scheme is intended to be more discriminating.

We need to be concerned about the use of profits as well as their size. The new scheme aims to make that distinction possible.'

Government and Industry

Further developments in the Government's industrial strategy were discussed at a National Economic Development Council meeting in February. Reports by the sector working parties, in which they set out their medium-term objectives and made recommendations for their sectors, were considered and the Government made known its response.

The Government has announced measures to help the shipbuilding industry, which include the establishment of an intervention fund and of a new holding company. An important amendment to the Aircraft and Shipbuilding Industries Bill has made it likely that the Bill will shortly receive Royal Assent.[1]

Another assistance scheme recently announced is for the Meriden motor cycle co-operative.

The National Enterprise Board is negotiating with companies concerned with computer services and products following the establishment of a new subsidiary company, INSAC Data Systems Ltd.

GOVERNMENT'S INDUSTRIAL STRATEGY

At the National Economic Development Council meeting on 2 February representatives of Government, management and trade unions, under the chairmanship of the Prime Minister, Mr James Callaghan, met to consider the progress of the tripartite industrial strategy and reaffirmed their strong commitment to it. After the successful completion of the first phase of the strategy last year (see p 328, 1976) the working parties for the 39 sectors of industry were asked to propose ambitious but realistic plans for improving their sectors' share of the home and overseas markets and to report back by the end of 1976. These reports on the second stage of the work on the industrial strategy have now been circulated among those concerned (some working parties are considering publishing their reports); they contain the views of the working parties on the market share objectives for their sectors, progress reports on the follow-up to Stage I recommendations and industrial recommendations to be taken into account in the 1977 Budget.

Progress by Sector Working Parties

An analysis of sector reports, prepared by the Industrial Strategy Staff Group,[2] covers the sector objectives and their implications, other recommendations and the future work programme. It is prefaced by a memorandum by the Chancellor of the Exchequer and the Secretary of State for Industry. The memorandum says that the quantified medium-term objectives set by the working parties have been valuable for assessing the opportunities open to these key sectors of British manufacturing industry and for clarifying the action needed from Government and both sides of industry. The sectors see a very substantial potential gain to the balance of trade within their own areas – of the order of £3,000 million a year gross at 1975 prices by 1980 – if the ambitious objectives which they have set themselves can be achieved. They recognise this will require improved productive efficiency, strong financial backing, increased capacity, up-to-date products and more aggressive marketing. The means of achieving these improvements will have to be worked out in detail over the coming months and years so that action can be taken wherever it is needed. A balance of trade improvement of the order suggested would bring with it a substantial expansion in other sectors of the economy, through investment and through increased demand for the products of secondary industries and services. In the longer-term, the improvement would allow the economy as a whole to be run at a sustained higher level of activity than would otherwise be possible. The employment aspects of the strategy are being further examined by the working parties in the next stage.

Government Response

A memorandum of 26 January[1] by the Chancellor of the Exchequer and the Secretary of State for Industry, presented to the NEDC meeting, sets out the Government's response to the second stage of the industrial strategy and the main industrial recommendations of the reports. It emphasises that the main task of achieving the objectives of improved market penetration and output will fall on the people in the companies and plants in each of the sectors. The role of the NEDC is in part to make sure that the objectives and plans identified and formulated by the working parties are understood by everyone involved at company and plant level; it must also show that its members – the Trades Union Congress, the Confederation of British Industry and the Government – are playing a creative role.

For the Government's part, the memorandum continues, there must be a readiness to adapt policies to the needs of the industries as identified by the working parties and also to take new steps to support objectives wherever it seems likely that the Government has a useful contribution to make. In the first place the Government is to take action on three major issues: assistance to exports, scope for industrial restructuring, and assistance for new product development. Secondly, it will concentrate a number of new or existing industrial policy instruments on the problems of five industrial sectors – industrial engines, construction equipment, office machinery, electronic components and domestic electrical appliances – in order to exploit some of the main opportunities and eliminate constraints which have been identified in those sectors by the working parties.

On the issue of support for exports, a working group from the Departments of Trade and Industry, Treasury, British Overseas Trade Board and NEDO are examining the scope for assisting companies with the cost of entering new markets. On the second

[1] The Bill became law on 17 March.

[2] Obtainable from the National Economic Development Office, Millbank Tower, Millbank, London SW1P 4QX.

[1] Obtainable from HM Treasury, Parliament Street, London SW1.

major issue, the Government is willing to take action to help industries where there is need of some rationalisation to strengthen their competitiveness in international markets. The National Enterprise Board is studying a range of sectors within the industrial strategy to see if there is scope to help with the problems of restructuring. Help could also be made available under the Industry Act 1972. Provision for the support of product development, the third issue, is already available under section 8 of the Industry Act 1972; the textile machinery and printing machinery schemes (see p 356, 1976), for example, incorporate a provision of this kind. Support can also be provided under the Science and Technology Act 1965. The Government is seeing how these arrangements can be further developed.

The Government's approach in concentrating its resources on five sectors is experimental and intended to find out whether there is scope for the Government to act as a catalyst, in concert with both sides of the industries concerned, in bringing about a more rapid improvement in performance. The Government will be considering the recommendations of all the 39 sector working parties and if the concentrated approach to the problems of the five is found to be useful and productive it will be extended to other sectors when there is scope to do so. The five sectors have been selected as being part of the mechanical and electrical engineering industries whose performance is essential to increasing overseas trade; they are among world leaders in their markets or have expressed confidence in their ability to make a significant improvement in their market performance; and they are areas where the Government contribution, through its industrial instruments, to the achievement of sector objectives is likely to be most effective. As the problems and opportunities in each sector are special to itself, the Government's approach will vary from case to case.

Financial Support

Although the amount of public expenditure which can be devoted to the solution of sectoral problems is limited, the Government has set aside additional resources for the requirements of the industrial strategy. Further details of financial assistance in support of the industrial strategy were given by the Parliamentary Under-Secretary of State at the Department of Industry, Mr Bob Cryer, in a speech on 15 February to the Barking and Dagenham Chamber of Trade and Industry. The support includes 11 selective investment incentive schemes so far, providing over £200 million, and a new Selective Investment Scheme which makes £100 million available to help major projects that will lead to an identifiable improvement in industrial performance, with particular attention being given to engineering. The scheme follows the Accelerated Projects Scheme which is providing Government help of £84 million to bring forward investment totalling £640 million (see p 355, 1976). A £70 million steel stockpile scheme has already been introduced to anticipate possible shortages highlighted by a number of industrial strategy sector working parties. Mr Cryer said that spending on industrial training and retraining was a record level. In addition, the National Enterprise Board had been given a further £50 million a year for selective investment in industry.

SHIPBUILDING

Two measures have recently been taken by the Government to help the British shipbuilding industry to survive the serious recession currently affecting the industry world-wide. The Government has stated its determination 'to emerge from the crisis with a substantial and viable shipbuilding industry with secure long-term employment prospects', in the words of the Minister of State, Department of Industry, Mr Gerald Kaufman (*Hansard*, 23.3.77, cols 1652-68).

Mr Kaufman, in his statement in the House of Commons on 23 February, announced that the Government had decided to use its powers under the Industry Act 1972 to assist the yards in Britain to obtain orders. A sum of £65 million had been set aside for this purpose, of which half would be available during the next six months. Harland and Wolff (which is in public ownership) would continue to be dealt with by the Secretary of State fo Northern Ireland.

In accordance with Britain's obligations under the Treaty of Rome, Mr Kaufman said that he had informed the European Commission of the Government's intention to introduce the Intervention Fund as a matter of urgency. He said that Britain continued to be a firm advocate of a Community policy for shipbuilding.

The Intervention Fund would be operated selectively to secure the maximum benefit at least cost. In administering it, the Department of Industry would work in consultation with the organising committee for British Shipbuilders (the public corporation in which the main shipbuilding companies will be invested under the Aircraft and Shipbuilding Industries Bill currently before Parliament – see p 25, 1976), which will have an important advisory role. The scope for reducing costs and improving performance will be discussed with the companies concerned.

The Government's action is being complemented by a major programme of advance factory construction, costing over £12 million, which has been put in hand in shipbuilding areas, to alleviate the effects of any redundancies caused by rationalisation of the industry.

Without swift action by the Government, Mr Kaufman said, much of the merchant shipbuilding industry in Britain could close within two years. There would be heavy unemployment on the Clyde, the Tyne, the Wear and Tees and the Mersey, and in Belfast. This was unacceptable to the Government. Shipbuilding industries all over the world, from Japan to Sweden, were accepting the inevitability of contraction; Britain could not be insulated from this world trend but the Government had to ensure that it should take place within a positive policy. Mr Kaufman said that in order to alleviate the human problems caused by the contraction of the industry, he would be bringing forward proposals to Parliament for a redundancy scheme similar to that for the British Steel Corporation, and similar arrangements would be made for Harland and Wolff. The immediate object was to secure orders as a means of promoting the increased competitiveness needed to secure a future for the industry. The measures to alleviate the industrial and social effects of the world ship-

building crisis were part of a longer-term strategy of modernisation and rationalisation following upon public ownership.

The first payment from the Intervention Fund was announced by Mr Kaufman on 1 March (*Hansard*, written answers, col 158). The sum of £5 million is to be provided to the Scottish shipbuilding firm of Scott Lithgow to enable it to complete a second large tanker, on which a considerable amount of work has already been done. The ship, which was originally ordered by Maritime Fruit Carriers, will now be bought for cash by the Dexter Shipping Company, a member of the Niarchos Group.

In an earlier statement, on 7 February, the Secretary of State for Industry, Mr Eric Varley, expressed the Government's concern over damage that might be caused to the long-term future of the shipbuilding industry by the delay to the Aircraft and Shipbuilding Industries Bill (*Hansard*, written answers, cols 489-90). He said that until the Bill was effective the Government proposed to establish a company, National Shipbuilders and Repairers Ltd, that would hold in trust on behalf of the Government publicly-owned shareholdings in shipbuilding, ship-repairing and marine engine building companies and undertake functions of management and of monitoring on behalf of the Department of Industry. Direct management, and control of all activities of the companies, will continue to be the responsibility of the boards of the companies. [The publicly-owned holdings, acquired between 1970 and 1975 at a total cost of £34·5 million, are in Appledore Shipbuilders, Cammell Laird Shipbuilders, Govan Shipbuilders, North East Coast Shiprepairers and Sunderland Shipbuilding and Engineering.]

The new company would have a crucial role in seeking orders for the British shipbuilding industry, Mr Varley said, to support the marketing effort of the individual companies. Its activities would help to offset damage caused by the delay to the enactment of the Aircraft and Shipbuilding Industries Bill and would facilitate vesting when the Bill was passed. The company's functions would be absorbed into British Shipbuilders as soon as that was established.

Aircraft and Shipbuilding Industries Bill

A statement on the Aircraft and Shipbuilding Industries Bill was made in Parliament by Mr Varley on 2 March (*Hansard*, cols 365-72). He said that in view of the findings of the Examiners in the House of Lords that the Aircraft and Shipbuilding Industries Bill is hybrid [that is, the Bill discriminates in its treatment of the companies included and should therefore be the subject of a special parliamentary procedure], and of the grave industrial consequences of further delay, the Government had decided to amend the Bill. It proposed to delete the 12 ship-repairing companies listed in Schedule 2 of the Bill. After consultations with the Opposition, it had been agreed that the Bill would proceed in its present form, apart from the deletion, for its final stages and then forthwith proceed to Royal Assent. The Government intended that vesting of the aircraft companies would be in April, if that could be achieved, and of ship-building companies in the late spring.

Ship-repairing, Mr Varley said, would remain one of the duties of British Shipbuilders. Several of the listed shipbuilding companies had ship-repairing operations, and three of the 12 ship-repairing companies listed in Schedule 2 were already publicly owned and would be transferred to the corporation. The Government understood that other privately-owned ship-repairing companies would wish to be acquired by the corporation, which would be free and willing to negotiate their acquisition.

MERIDEN MOTOR CYCLE CO-OPERATIVE

A scheme to provide further assistance to the Meriden motor cycle co-operative (see p 349, 1974) was announced by the Secretary of State for Industry, Mr Eric Varley, in the House of Commons on 7 February (*Hansard*, cols 1056-7).

Mr Varley said that, as a result of a proposal from the General Electric Company (GEC), the co-operative will improve its cash resources through having available up to £1 million from the GEC which will take over motor cycles until they are sold and will also provide some technical assistance and management and marketing advice. For its part the Government recognised that the co-operative was handicapped by its lack of a marketing organisation under its own control. The Government had therefore decided, subject to the approval of the House of Commons and to the completion of the appropriate arrangements, to provide the co-operative with up to £500,000 to purchase the marketing organisation and related assets from Norton Villiers Triumph Ltd, the firm from which the co-operative acquired the Meriden plant. The price to be paid for the organisation and assets will be subject to valuation. Mr Varley stated that Norton Villiers Triumph was prepared in principle, and subject to the necessary legal requirements, to return the money to the Government as soon as possible as payment for the redemption of an equivalent value of its preference shares held by the Department of Industry. The Government will also defer interest payment due from the co-operative in the period up to 31 December 1978 and subordinate this and the existing Government investment to all other creditors of the co-operative. The Secretary of State for Trade was instructing the Export Credits Guarantee Department to transfer the existing £6 million facility for Meriden motor cycles from Norton Villiers Triumph to the co-operative.

Mr Varley said that the co-operative had made a promising start on the production side but it had not yet been able to demonstrate its ability to create the necessary conditions for long-term viability without further support from public funds. The Government believed that this valuable and interesting experiment should be given a fair opportunity to demonstrate this and the scheme worked out with the help of the GEC should help to provide that opportunity. For its part, the co-operative had told Mr Varley that the scheme would provide it with an opportunity to determine its own success and offer an adequate basis to tackle the immediate future. In addition Lord Stokes, former chairman of British Leyland, had agreed to act as a consultant to the co-operative on North American and other international sales.

The Industrial Development Advisory Board had considered the scheme and advised that on balance, recognising the inherent risks, the proposals

merited support provided the Government's commitment was strictly limited.

Mr Varley said that he would bring the necessary resolution under section 8 of the Industry Act 1972 before the House of Commons for approval as soon as possible and that would provide opportunity for detailed discussion of the scheme.

NATIONAL ENTERPRISE BOARD – NEW SUBSIDIARY

The National Enterprise Board (NEB), the statutory body set up by the Industry Act 1975 (see p 168, 1976) announced on 2 February that it was establishing a wholly-owned subsidiary, INSAC Data Systems Ltd, to help increase Britain's share of the growing international computer products and services market. It is expected that a number of companies will wish to participate in INSAC and the NEB is negotiating with several which have well-established operations in Britain and clear international objectives. INSAC is intended to help overcome the problems which have led to the decline in Britain's share of overseas markets; this has been caused partly by fragmentation of import sections of the industry and partly because individual companies lack the capital to invest in adequate product and market development.

The board of the new company, consisting of representatives from participating companies and the NEB, will determine its priorities. The company will concentrate initially on expanding the overseas marketing and sales efforts of its member companies. In funding these activities the NEB will expect a proper return via sales commissions and fees. Companies with which the NEB concludes negotiations can take advantage of INSAC's international marketing activities as can companies already associated with the NEB (see p 356, 1976).

The Department of Industry *Business Monitor* inquiry among organisations providing computer services showed that the value of total billings to clients in 1975 increased by 27 per cent over the previous year to some £165 million. Foreign business accounted for nearly 5 per cent of the total, although for leading firms the percentage of overseas business is substantially higher than this.

Energy

Some recent developments concerning the energy industries – a report outlining progress with the development plan for the coal industry, the second reading of the Coal Industry Bill, conditional offers by the Government of licences under the fifth round of offshore petroleum production licensing, and a programme of research and development on solar energy – are recorded below.

'PLAN FOR COAL'

A review of the National Coal Board's 'Plan for Coal' (see pp 435-6, 1974) and prospects to the year 2000, prepared by the Coal Industry Tripartite Group (comprising members from the Government, the National Coal Board [NCB] and coalmining trade unions) and published on 8 February, concluded that the NCB should press on with implementing the plan.[1] The group agrees that the 'Plan for Coal' annual production target of 120 million tons[2] of deep-mined coal and 15 million tons of opencast coal by 1985 remains valid.

Investment to 1985

By the end of September 1976 the NCB had approved over 80 major projects, costing some £800 million and designed to provide 26 million tons of additional output a year by the mid-1980s, over half the agreed new capacity in the plan. The NCB considers that the production target for 1985 will be constituted differently, with 10 million tons a year from new mines (less than forecast because of the longer period needed for obtaining planning approval than originally expected), 89 million tons a year from major projects at existing mines (higher than predicted in the original plan owing to the emergence of greater opportunities to reconstruct existing coalmines), and 21 million tons from other pits. Opencast output is expected to be over 11 million tons in 1976-77, rising to 15 million tons by 1980-81, while the NCB will continue to minimise the environmental damage of opencast operations. Substantial benefits from the planned investment for the collieries where major projects have been authorised include a reduction in their costs by some 10 per cent and a level of productivity much higher than the industry's average. Expenditure on coal exploration has been greatly increased, with drilling in 1975-76 being ten times the yearly average in the 1960s and workable reserves being supplemented by some 500 million tons a year.

Revised estimates of the cost of the plan have been drawn up to take account of inflation and more reliable estimates for developing new mines, and the total cost is £3,150 million at March 1976 prices (£1,500 million on major projects and £1,650 million on other continuing capital expenditure), compared with £1,400 million at March 1974 prices in the previous report.

The report expresses concern about the lack of improvement in productivity and gives possible reasons, such as the effect of the lack of investment in the 1960s and the large amount of current development work in progress; it notes that the major investment under the plan has not had time to make a significant impact. The NCB and the mining trade unions are examining the factors involved and the methods of obtaining higher productivity.

Financial Support

The report lists some of the Government's actions to support the implementation of the plan, such as an increase in the NCB's borrowing powers and assistance for certain research and development projects (see pp 27-8, 1976), a contribution towards a compensation scheme for sufferers from

[1] *Coal for the Future: Progress with 'Plan for Coal' and Prospects to the Year 2000.* Available free from the Library, Department of Energy, Thames House South, Millbank, London SW1P 4QJ.

[2] 1 ton = 1·016 tonnes.

pneumoconiosis, and grants towards various operating and social costs. Government grants to the industry totalled £140·6 million in 1974-75 and £85·9 million in 1975-76. Support will continue, as provided for by the Coal Industry Bill (see below).

Demand

Official forecasts of the demand for primary fuels in 1985 are between 350 million and 400 million tons of coal equivalent, about 10 per cent less than the forecast in 1974. The NCB considers that the market for coal must be maintained between 125 million and 135 million tons a year to ensure the safeguarding of the industry's long-term future and has drawn the Government's attention to the possible need for temporary support, while reaffirming its view that new coal-fired generating capacity is required.

Long-term Outlook

Primary fuel consumption might be between 500 million and 650 million tons of coal equivalent by the year 2000 with demand for coal between 135 million and 200 million tons. The report says that the industry has the potential to meet this demand. Coal could play an important part in limiting the European Community's dependence on fuel imports. Technically recoverable reserves in Britain, which amount to some 45,000 million tons, are sufficient for production to continue at the current rate for over 300 years and are several times greater than Britain's offshore oil and gas reserves. To allow an output of 170 million tons of coal a year by 2000 (including at least 150 million tons from deep mines), an average of 4 million tons of new capacity a year would have to be commissioned between 1985 and 2000, mostly from new mines, requiring annual capital expenditure of some £400 million at March 1976 prices. The NCB has emphasised the importance of agreement as soon as possible on the level of new capacity to be taken as a planning objective beyond 1985. Its proposals for developments to 2000 will be considered in the context of national energy policy and other factors; meanwhile, the Government endorses the NCB's intention to continue its exploration work.

The report says that a major advance in productivity is needed and that this is likely to come from new mines and technology; the NCB has significantly increased its research and development on mining technology with the emphasis on integrated systems and the extension of remote and automatic control. The Government is to reconvene a working party on research and development to consider how the priorities of mining technology and coal conversion can be implemented.

COAL INDUSTRY BILL

The Coal Industry Bill, which increases the NCB's borrowing limit and statutory powers, and provides for the payment of various types of grant, received its second reading in the House of Commons on 2 March (*Hansard*, cols 440-557). The Secretary of State for Energy, Mr Anthony Wedgwood Benn, said that the Bill would help to implement the report of the tripartite group (see p 125).

Borrowing Limit

The Bill provides for an increase in the NCB's borrowing limit from £1,100 million to £1,800 million, with provision for further increases to £2,200 million and then to £2,600 million, both subject to parliamentary approval. Mr Benn said that this was necessary to enable the board to carry out its large investment programme, and the limit should be sufficient until the early 1980s.

Grants

Under the Bill grants payable by the Secretary of State for Energy to the coal industry to deal with short-term fluctuations include a grant to coal producers in order to promote sales to the electricity generating authorities, while powers are extended for the payment of grants to producers towards the costs of maintaining stocks of coal and coke, to coking coal producers towards measures for securing supplies of coke for use in blast furnaces, and to the NCB for taking due account of the needs of the assisted areas in carrying out its mining activities. Powers for the payment of social grants – payments to miners made redundant and grants to the NCB to assist in the redeployment of labour and the elimination of uneconomic mining capacity – are also extended, from 1978 to 1981, with provision for a further extension until 1982.

Statutory Powers

Mr Benn said that coal was now envisaged as a substitute for oil in connection with the production of certain chemicals and the Bill allowed the NCB to engage in certain petrochemical activities when these were regarded as beneficial to the future development of the coal industry. The Bill also enables the NCB to exploit minerals other than coal or petroleum which are discovered in the course of its normal work. In addition, the Bill removes existing restrictions on overseas activities, so that the NCB will be able, subject to the approval of the Secretary of State for Energy and, if expenditure and guarantees are involved, of the Treasury, to undertake activities overseas.

OFFSHORE LICENSING

The Secretary of State for Energy announced in the House of Commons on 9 February (*Hansard*, cols 1442-54) the outcome of the applications for the fifth round of offshore petroleum production licensing (see pp 255-6, 370 and 442, 1976). Mr Benn said that offers would be made subject to two conditions: agreement between the Department of Energy and the potential licensees of a block on a compulsory exploration programme; and the conclusion of an operating agreement between the British National Oil Corporation (which would have a 51 per cent share in fifth round licences) and its co-licensees, based on a text which had been worked out with the UK Offshore Operators Association. The latter condition was a new feature of offshore licensing and was important as it would determine the way in which the nation's interests were taken into account

in the development of Britain's offshore oil reserves. A list of applicants to whom conditional offers were being made was given in *Hansard* (cols 1452-4) and Mr Benn said that each applicant was being asked to reply within two weeks. Awards of individual licences would be made after agreements had been worked out for each successful applicant or group of applicants. If, as he expected, all the offers were taken up, licences would be issued for 44 of the 71 blocks or parts of blocks offered. This potential 'take-up rate' was close to the highest obtained in previous rounds of offshore licensing and about the same as in the round of offshore licensing held by the United States in 1976.

Mr Benn pointed out that the major international oil companies were well represented in the list. There were also some independent oil companies, both European and North American, but only a few companies which were new to Britain's offshore operations because of the very high standards required in respect of technical, managerial and financial resources.

SOLAR ENERGY

A substantial expansion in Government-funded research and development on solar energy was announced by Mr Alexander Eadie, Parliamentary Under-Secretary of State at the Department of Energy, in the House of Commons on 17 February (*Hansard*, written answers, cols 330-2), following the publication of a report by the department's Energy Technology Support Unit (ETSU).[1] Mr Eadie said that the Secretary of State for Energy's Advisory Council on Research and Development for Fuel and Power had considered the report and had recommended that the department should establish a four-year programme of research and development. The Government had accepted this recommendation and was implementing the council's proposals. The programme, costing £3·6 million, would aim to reduce the uncertainties identified by the ETSU assessment, so that the potential role of solar energy could be established more accurately, and to stimulate the development of cost-effective solar technologies. It would complement work being carried out by the Department of the Environment and the Department of Industry and raise Government expenditure on solar energy research to about £6 million over the next four years. In addition, Britain was participating in the European Community's solar energy programme.

Potential Contribution

The ETSU report says that each year Britain receives substantial amounts of energy from solar radiation, about half that of some apparently much sunnier countries such as Australia and India, and that this is equivalent to about 80 times the present demand for primary energy. However, its intermittent nature makes recovery difficult and expensive, and in Britain there are particular problems because of the wide variation between summer and winter conditions, the relatively high frequency of overcast days, and a high population density which limits the area of land that can be devoted to solar collection. Nevertheless, the report says that the collection of solar energy could make a significant contribution (about 2 per cent of present energy requirements) within about 25 years, while in the longer term this contribution might be increased tenfold with vigorous exploitation, although the report considers that exploitation on a significant scale will be slow. Some of the advantages of building up a scientific capability in solar energy are listed in the report: the provision of an additional indigenous and relatively secure energy resource, a renewable resource which offers opportunities for further development, and the possible release of fuels for other uses.

Programme

Mr Eadie said that the main areas of the Department of Energy's programme would be water and space heating (the areas of greatest potential return), the collection of further data, and research into biological systems (see below).

Solar heat collectors are already commercially available in Britain and the report says that they are technically capable of making a useful contribution towards domestic hot water or part of space heating requirements for buildings. Mr Eadie indicated that a major part of the Department of Energy's programme would be in the form of contracts in support of existing industrial research, while the Department of the Environment's Building Research Establishment would undertake a large share of the work, and fundamental and supporting studies would be carried out by universities and other academic institutions.

Although Britain has accrued sufficient information, obtained from solar recording stations, to enable a general assessment to be made of the potential importance of solar energy, the ETSU believes that, in order to make the most effective use of solar energy, more detailed analysis of existing data and some extension of the network of observing stations may be required. Mr Eadie said that, as interest grew, it would be necessary to ensure that more information was collected in urban areas, where most potential users of solar heating lived, and that it was analysed in the most useful form.

The report examines the possibilities for obtaining energy stored through the photosynthetic process in plants, algae and certain bacteria, and indicates the opportunities of obtaining energy from wastes or from a specially cultivated energy crop. The direct or indirect production of liquid or gaseous fuels in this way was described by Mr Eadie as a 'challenging long-term possibility' and he said that further work was needed to establish its viability for Britain.

Photovoltaic conversion (in which solar energy would be converted into electricity) is considered by the ETSU to be unsuitable for Britain, even if the costs of collection were reduced substantially. Its recommendation that no financial support should be given to additional work in this area has been accepted, although the ETSU will continue to monitor technical developments in Britain and overseas.

[1] *Solar Energy: Its Potential Contribution within the United Kingdom.* Energy Paper No 16. Department of Energy. HMSO, £3. ISBN 0 11 410294 5.

Copyright and Designs Law

A major revision of the law on copyright and designs is called for in the report of the Committee on Copyright and Designs Law published on 3 March.[1] The committee was appointed in August 1973 'to consider and report whether any, and if so what, changes are desirable in the law relating to copyright as provided in particular by the Copyright Act 1956 and the Design Copyright Act 1968, including the desirability of retaining the system of protection of industrial designs provided by the Registered Designs Act 1949'.

In a written parliamentary answer on 23 December 1976[2] the Secretary of State for Trade, Mr Edmund Dell, explaining that the subjects dealt with in the report were complex, said 'we intend to ask for the views of interested organisations before arriving at any conclusions on the report'.

The committee recognises that there is some confusion and uncertainty surrounding the present law, and recommends that the general structure of the 1956 Copyright Act should be revised to place the law on a plain and uniform basis. The committee also proposes a number of relatively minor changes in the law, necessary if the United Kingdom is to adhere to the latest text of the Berne Copyright Convention.

International Conventions

The United Kingdom has obligations regarding copyright and related rights under several international conventions. There are two worldwide conventions relating to copyright proper – the Berne Convention of 1886, since revised seven times, the last time in Paris in 1971, and the Universal Copyright Convention of 1952, also revised in Paris in 1971. The copyright conventions ensure rights for authors (including composers and artists) and film makers. They give no protection to makers of sound recordings, performers or broadcasting organisations, the rights of which, known as 'neighbouring rights' are governed internationally by the Rome Convention of 1961. There is also a Phonograms Convention of 1971 which gives rights to record makers. In addition there are two Council of Europe Agreements, to which Britain is a party, protecting respectively television films and television broadcasts, and the Brussels Convention of 1974 protecting broadcasts transmitted by space satellites to which the United Kingdom has so far undertaken no commitments.

Copyright and Industrial Design

The report explains that copyright is one form of what is comprehensively described as 'intellectual property' (which also includes patents and trade marks). Broadly speaking copyright in Britain subsists automatically, without registration, in every original literary, dramatic, musical and artistic work until 50 years after the author's death. Industrial design is a term used to cover designs for articles manufactured in quantity on a commercial basis. One difference between protection given to 'artistic works' under the Copyright Act and that given to industrial designs under the Registered Designs Act is that for industrial design the protection given is not copyright protection, but a true monopoly. In Britain, the Government department dealing with these matters is the Industrial Property and Copyright Department of the Department of Trade – a policy branch of the Patent Office, administered by an Assistant Comptroller responsible under the Comptroller General of Patents, Designs and Trade Marks.

Main Recommendations

In its report, the committee details nearly 50 separate recommendations for changes in the law. These include a revision of the structure of the Copyright Act to put the law on a plain and uniform basis; copyright protection for at least the aesthetic elements of industrial designs; protection for industrial designs for 25 years from initial marketing; a blanket licensing system for facsimile copying in libraries, a levy on sales of tape recorders, and licensing of coin-operated copying machines; protection of computer software against unauthorised use; and a tribunal to arbitrate on disputes over the licensing and levy systems.

Many of the report's recommendations are based on the wish to maintain the prospect of a reasonable return for copyright holders. But the report points out that technological advances have made policing increasingly difficult.

The report notes that, since the 1960s, quick and cheap photocopies have been available in libraries, schools, colleges and offices at the touch of a button. Such ready availability of copies from published material could ultimately lead to the end of publication in some fields. So the committee believes that copying of protected material should still be restricted, but that the Act should encourage groups of copyright holders to issue blanket licences for copying to libraries, educational establishments, Government departments and commercial enterprises. Only groups approved by the Secretary of State for Trade would be allowed to grant such licences.

Coin-operated copying machines, available for public use, the report says, should also be licensed. This requirement could not be avoided by displaying a notice restricting the machine's use to material not protected by copyright.

The rights of composers and recording companies are being eroded by infringements done in the home, the committee says, because of the availability of tape recorders. The committee recommends that a levy should be charged on sales of tape and video recorders. In the case of educational and other non-commercial users, the levy would be supplemented by an annual licence fee payable under a blanket licensing system.

The committee believes that computer programmes, which have involved sufficient skill and labour to be considered as 'works' in the copyright sense, and which are in a form in which they can be reproduced, should be clearly protected under copyright law.

[1] *Copyright and Designs Law. Report of the Committee to consider the Law on Copyright and Designs* (Chairman: Mr Justice Whitford). Cmnd 6732. HMSO, £4·10. ISBN 0 10 167320 5.

[2] *Hansard*, 23.12.76, written answers, col 285.

Unauthorised use of programmes to control or condition the operation of computers should also be considered an infringement, a majority of the committee recommends.

The report says that the jurisdiction of the Performing Right Tribunal should be extended to cover other copyright matters. This would include arbitration in disputes over the licensing system for reprographic reproduction and ultimate control over the levy on sales of recording equipment.

Designs are within an area where aesthetics, primarily a copyright interest, impinges on industrial production. The problem is the extent to which copyright protection should be effective in the industrial field. The committee was divided on the best way of tackling the problem. But there was agreement that at least the aesthetic content of designs should be protected. Any new legislation should therefore define two categories of design: those where aesthetic appeal affects purchases (like wallpaper and carpet designs, crockery and pottery) and those (such as a propeller or parts for a motor car) where it is not a feature affecting choice by the buyer.

SOCIAL AND CULTURAL AFFAIRS

Health and Social Services

SMOKING AND HEALTH

Further measures to discourage cigarette smoking and to reduce the health hazard were announced to the House of Commons on 8 March by Mr David Ennals, Secretary of State for Social Services (*Hansard*, written answers, cols 463-5). They follow Government discussions with the tobacco industry.

New Health Warning

A Government health warning ('Warning by H.M. Government: Smoking Can Damage Your Health') is at present printed on cigarette packets. This is to be changed to 'H.M. Government Health Departments' Warning: Smoking Can Seriously Damage Your Health'. The new warning will be used on advertising material in place of the present statement that each packet carries a warning. The industry has also agreed to negotiate with the Advertising Standards Authority a tighter overall code of practice governing cigarette advertising.

Tar Yields

The industry has agreed to discontinue the advertising in press, posters and cinema of cigarettes yielding 29 mg or more of tar (the highest tar group of the five in the Government tar group tables). Cigarette advertising is already banned on independent television and radio. In addition it has agreed from the beginning of 1979 to stop advertising cigarettes yielding 23 mg to 28 mg of tar (the middle to high tar group). No new brand yielding 23 mg or more of tar will be introduced and no existing brand will have its tar yield raised intentionally above 22 mg. The industry is to continue its policy of reducing tar yields (down, on average, from 31·4 mg per cigarette in 1965 to 17·9 mg in 1975), and will use its best endeavours to ensure that no brand will appear in the high tar group after March 1979. Advertising will be concentrated on cigarettes yielding less than 17 mg of tar (those in the Government's two lowest tar groups).

Substitutes and Additives

The manufacturers are to comply with certain guidelines concerning the testing and marketing of products containing substitutes and/or additives. These guidelines were set out in 1975 by the first report of the Independent Scientific Committee on Smoking and Health (see p 339, 1975). This undertaking will also apply to any subsequent revision of the guidelines agreed by the industry after consultations with the Government. In addition the industry recognises that the Government intends to amend the Medicines Act 1968 to enable it to control, if the need arises at any time, the use of substitutes and additives in smoking products.

Duration

These new arrangements will stand for at least three years in view of the Government's acceptance of the industry's need to have a clear programme within which it can work.

Other Initiatives

In a speech given at King's Fund College in London on 8 February, Mr Ennals pointed out that cigarette smoking was the major cause of premature death in Britain and set out the new measures taken by the Government. He also announced a Government proposal for the introduction of a health element in taxation of cigarettes as part of the process of tax harmonisation in the European Community. If accepted this would take the form of a supplementary tax on cigarettes having the highest tar yields.

The Secretary of State emphasised the need for the National Health Service to set an example, and said that new guidance had been issued to health authorities; in future hospital managers are to confine smoking to special areas. The Government was also approaching a wide range of organisations in order to restrict or ban smoking in places such as trains and buses, airports, cinemas, theatres, concert halls, shops and public buildings.

For background information, see COI Short Note SN5987, *Smoking and Health in Britain*.

GOOD NEIGHBOUR SCHEME

A most heartening response to a special Good Neighbour campaign to help elderly, disabled, housebound and lonely people has been made by the public, according to Mr David Ennals in a statement issued on 28 February. Launched at the end of 1976, the Good Neighbour scheme is designed to encourage individuals to assist their needy neighbours, for example, by running errands or doing shopping. The Government has provided publicity material for use by voluntary organisations throughout the country; over one and a quarter

million leaflets have been distributed together with nearly 300,000 stickers. There are also experimental call cards for window display; one is for emergency use ('SOS – I need help *now*') and one for less urgent use ('Please call').

Mr Ennals said that many thousands of volunteers were concerned with the scheme which involved co-operation between individuals, voluntary bodies and local authority social services departments. The Good Neighbour campaign reflected the mood of today, for the 'elderly and disabled deserve more of us than can be provided by cash and kind. They need and deserve friendship and companionship. That's the aim of this campaign.'

Education Developments

DEBATE ON SCHOOL EDUCATION

Eight regional conferences currently taking place in England and Wales mark the second stage of the debate on school education initiated by the Prime Minister, Mr James Callaghan (see p 444, 1976). The conferences are being chaired by Government ministers and attended by parents, teachers, trade unionists, employers and representatives of local authorities and a number of regional organisations. The Government's proposals for further action will be put forward in a consultative document which is expected to be published in the early summer.

In order to provide background information for the conferences, the four main topics for debate which were selected during the first stage of discussions (see p 453, 1976) are set out in a paper published by the Department of Education and Science.[1] These topics are the school curriculum, the assessment of standards, the education and training of teachers, and school and working life. As a starting point for discussion of current problems, the paper also lists some of the achievements over the last 30 years of the education system in England and Wales.

Achievements

The number of school children in England and Wales increased from 5 million to 9 million between 1945 and 1975. In the intervening years, the minimum school-leaving age was increased twice and the numbers of children choosing to remain at school beyond that age increased substantially. The school buildings and the teachers needed to accommodate this increase were provided, and a genuinely universal free education to the age of 16 achieved.

Despite the considerable strains that such rapid expansion imposed, a number of notable improvements were made. The ratios of pupils to teachers are now better than ever before – between 1966 and 1976 they improved from 28 : 1 to 23·9 : 1 in primary schools, and from 18·4 : 1 to 17 : 1 in secondary schools. The proportion of school leavers aged 18 with two or more passes at General Certificate of Education (GCE) Advanced level rose from about 63 per cent in 1960-61 to almost 65 per cent in 1974-75. The proportion of those leaving school at 16 with five or more passes at GCE Ordinary level rose over the same period by almost half. In 1965, the Certificate of Secondary Education (CSE) was introduced and, taking GCE and CSE together, almost 80 per cent of pupils leaving school in 1974-75 had some form of qualification.

Particular efforts have been made to awaken children's curiosity and widen their experience; to extend their appreciation of art, music and literature; and to promote their personal and social development with an awareness of the multi-racial and industrial society in which they live.

School Curriculum

In planning their curricula, schools have considerable freedom, but all have to take account both of the needs and capacities of individual pupils and of the expectations of society. This has given rise to variety and experiment, with valuable results. At the same time, however, there have been criticisms which, the paper suggests, stem from four main anxieties: that there are unacceptable differences between schools in the content and quality of children's learning; that the curriculum has become overcrowded in response to constantly expanding demands; that not enough young people are equipped with the skills and knowledge necessary to the country's well-being; and that different teaching methods can have a disruptive effect on the education of children who move from one area to another.

The paper considers that the suggestion of a common curriculum universally applied would not remedy these criticisms, and it regards the freedom of teachers to choose their own programmes of work as a strength of the present system. It recommends, however, that a definition of the essential needs that the curriculum has to satisfy would help achieve some common guarantee of quality in education.

Assessment of Standards

There is little national evidence of trends in educational standards, although the results of a survey of primary education are expected in 1978. Speaking in a recent House of Commons debate on this subject, the Secretary of State for Education and Science, Mrs Shirley Williams, said that what evidence there was indicated that standards had improved over the last ten years (*Hansard*, 17.2.77, col 741). Whether it is found that standards have remained constant, risen or fallen, says the paper, is less important than whether the standards being achieved correspond as nearly as possible to society's requirements.

Three approaches to the assessment of performance are considered which, taken together, would provide a basis for deciding whether action is necessary and, if so, by whom. The approaches are: systematic observation by teachers of all children in order to detect their progress and

[1] *Educating Our Children. Four subjects for debate.* Copies available from the Department of Education and Science, Room 1/27, Elizabeth House, York Road, London SE1 7PH.

individual needs; public examinations in order to provide an indication of a candidate's competence in a particular area of knowledge; and assessment by sampling in order to measure the effectiveness of the education system.

The paper draws attention to the fact that an Assessment of Performance Unit was established by the Government in 1974 in order to examine methods of assessment and monitoring in schools (see p 76, 1975), and also indicates the work in this area of Her Majesty's Inspectorate of schools and of local education authority advisers and inspectors.

Education and Training of Teachers

Whatever decisions are taken about what should be done in schools, the paper points out, it will be the responsibility of teachers to put those decisions into practice. In carrying out this task, teachers must have all possible support, and those who provide their education and training should co-operate closely in seeking to match provision and needs.

Initial teacher training should aim to provide the skills a teacher needs in order to make a confident start in his or her career. Subsequent in-service training should reinforce and develop these professional skills. Particular consideration should be given to the training needs concerned with the establishment of basic literacy and numeracy, and with the supply of teachers of science, modern languages, craft, design, technology and business studies.

School and Working Life

The final section of the paper deals with the question of education as a preparation for life. Some critics of the education system, it says, have asserted that many pupils leave school ill-equipped in the skills, knowledge and qualities needed to take on employment. Criticisms have also been directed at industry, claiming, for instance, that employers demand unnecessarily high standards of attainment, and that they have not adapted sufficiently to the effects of educational change in the last 20 years.

Over the years initiatives from both education and industry have been taken in order to draw the two closer together. In addition to arrangements sponsored by national and regional organisations, there are examples involving local education authorities and individual schools in collaboration with trade associations or firms. The paper suggests, however, that there may well be scope for more consultations between employers, examining bodies and schools regarding the overall design of syllabuses. Although local education authority careers services maintain contact with industry and commerce, consideration could also be given to increased direct contact between individual schools and firms.

EDUCATION AND INDUSTRY

Secretary of State's Speech

Some aspects of the relationship between education and industry were outlined in a speech given on 24 February by Mrs Shirley Williams, Secretary of State for Education and Science. Schools, as part of education for life, she said, should broadly prepare each individual child to make the most of the opportunities for further education, training and work. Vocational preparation of a specialised kind was not the job of the schools; this was for post-school education and training.

Indicating Government initiatives which had been taken to promote industrially orientated courses, the Secretary of State drew attention to six recent measures.

The amount which employers may pay to sponsored students in higher education without local education authority grants being reduced is to be increased to £685 a year from September 1977 (the present limit is £185). The Government is considering an industrial sponsorship scheme for certain degree-level courses. A consultative group, with members representing educational interests and both sides of industry, has been set up to strengthen the partnership between the training and further education services by acting as a national forum for discussion (see p 44). A further education curriculum review and development unit has been established to review existing curricula, help with experiments, recommend improvements, and disseminate information on curricular matters throughout the further education sector. A start has been made on the programme of pilot schemes of unified vocational preparation (see p 340, 1976). Finally, unemployed young people will now be permitted to attend further education courses for up to three days a week without losing their entitlement to social security benefits.

Mrs Williams referred to the Diploma of Management Studies as an example of the responsiveness of further education to the needs of industry. Nearly 7,000 students are enrolled on this one postgraduate programme – the largest contribution to management education in the country.

The Government is also concerned to encourage more girls to seek further education or training in science and mathematics. The Engineering Industry Training Board has set up a pilot scheme offering 50 scholarships to girls taking technician apprenticeships in mechanical and electronic engineering.

Other Measures

A further statement on some of the steps taken to promote closer liaison between industry and schools and universities was made in the House of Commons on 14 February (*Hansard*, written answers, col 630).

Among the measures referred to were the 'Understanding British Industry' scheme being launched by the Confederation of British Industry to advance better understanding between schools and industry by means of helping teachers of 13- to 16-year-olds, and the report of the Select Committee on Science and Technology on relations between universities and industry (see p 477, 1976). Particular attention was drawn to the work of Project-Engineers and Technologists for Tomorrow (PETT), an organisation sponsored by the Department of Industry with its membership drawn from the public and private sectors of industry, educational organisations, professional engineering and scientific

bodies, and Government departments. PETT seeks to bring the challenges and opportunities of industry to the attention of careers teachers and students, to provide information on the technological professions, and to present new ideas for teaching scientific subjects.

In addition, universities with departments of engineering have been asked by the University Grants Committee (which allocates Government grants to universities and advises the Secretary of State for Education and Science) to examine the possibility of providing a small number of courses associating first degree engineering courses with management studies.

POLYTECHNICS

The achievements of the 30 polytechnics in England and Wales, their relationship with industry and their future role were discussed by the Secretary of State for Education and Science at a conference of directors of polytechnics held in March.

Remembering that the essential step towards the creation of polytechnics from existing technical colleges had been taken in 1965, Mrs Williams said that their philosophy and development [as a source of higher education outside the universities] had stood the test of time. There could be no doubt that polytechnics had made a major contribution during a period of rapid expansion of higher education. In 1965-66 the public sector of higher education in England and Wales provided for about 120,000 full-time and sandwich course students. Ten years later the corresponding figure was 200,000. Within these totals, enrolments increased from 30,000 in 1965-66 in the colleges from which polytechnics were formed to over 90,000 in polytechnics in 1975-76. Over the same period, enrolments of part-time students on advanced courses at polytechnics rose from about 45,000 to 54,000.

Further education, the Secretary of State continued, had a long history of various fruitful links with industry, and many members of staff at polytechnics and other further education establishments had an industrial or commercial background. Perhaps the most significant indication of the close relationship with industry was the fact that over 30,000 students at polytechnics follow 'sandwich' courses requiring periods of work experience. The Government had recognised that there were difficulties in maintaining such courses in present economic circumstances and it had made available more than £3 million to provide places for about 3,000 students.

On the future of polytechnics, the Secretary of State said that their distinctive role should continue. There would be widespread consultation before any changes were introduced as a result of the education debate or in the light of current discussions about the management of higher education (see p 340, 1976).

TEACHER TRAINING

Proposals for the future organisation of teacher training in England and Wales were announced by the Secretary of State for Education and Science in the House of Commons on 24 January (*Hansard* cols 962-84).

The Government's strategy is to establish a teacher training system which will be capable of expansion to meet any foreseeable needs in the 1980s while not being so large as to create a surplus of qualified teachers. The proposal is that the system should be reduced by 1981 to about 45,000 initial and in-service teacher training places in establishments other than universities in England and Wales. [Provisional figures for 1976-77 indicate that there are about 85,000 students in teacher training establishments outside the universities.]

In order to facilitate this contraction, detailed proposals for closures of some colleges and mergers of others have been published. In reaching these decisions the Government has endeavoured to promote the integration of teacher training with other forms of higher education (see p 375, 1975) and to preserve existing professional and academic excellence. Further consultations on the proposals will be held with local authorities and other bodies with a view to reaching final decisions by the early summer.

Developments in Housing

REVIEW OF THE RENT ACTS

A consultation paper[1] was issued by the Department of the Environment in January inviting evidence and comments from organisations and individuals who wish to contribute to a review of the Rent Acts currently being undertaken by the Government. The document is written in the context of existing housing policies and does not attempt to anticipate conclusions which may result from the main review of housing policy now in progress.

The paper acknowledges that there is a good deal of criticism of the Rent Acts for inhibiting the existing stock of houses from being used to full advantage or maintained in proper condition. It says that the complexity and obscurity of the Acts are a source of frustration and anxiety to both landlords and tenants. The Rent Acts review will examine conditions affecting privately rented houses and flats and consider the contribution which they could and should make to meeting housing need; and in the light of its findings will make proposals for changes in the Rent Acts and associated legislation. The Government is prepared it is stated, 'to consider new ideas or reconsider previously rejected proposals on all aspects of the Acts with the exception that the general principle of security of tenure for the tenant in his home is to be maintained'.

Privately Rented Housing

Over the last 60 years there has been a sharp reduction in the number of privately rented homes, and, although the total number of dwellings has

[1] *The Review of the Rent Acts: A Consultation Paper.* Department of the Environment.

roughly doubled in the period, only about one-sixth of households in Great Britain now live in this type of accommodation compared with nine-tenths in 1914. The estimated annual rate of decline in recent years has been of the order of 150,000 homes. Privately rented accommodation is mainly concentrated in inner urban areas – especially in London, which in 1971, when the most recent House Condition Survey was carried out, contained about one-quarter of the total for this sector. Much of the accommodation is old and of poor quality.

The consultation paper identifies various groups for whom the availability of privately rented accommodation continues to be important. These include a considerable number of middle-aged and elderly people who have occupied their homes for many years; mobile workers and their families; the young and the newly married; and those suffering from family break-up. Bearing in mind the special needs of such groups, the review will examine how far the law, as it stands, constrains or encourages the preservation, improvement and best use of existing accommodation in the privately rented sector.

Among its particular objectives – in addition to safeguarding the interests of existing private tenants – will be: to ensure that fit privately rented houses are properly maintained; to promote the efficient use of housing; to ensure that methods for determining rents meet the difficulties of both landlords and tenants; to simplify the law and the administrative machinery; and 'in general to provide a legislative framework which maintains a fair balance between the interests of tenants and landlords so that private rented accommodation can contribute effectively to meeting housing needs and choices and evolve into social forms of housing involving, and acceptable to, existing landlords and their tenants'.

HOUSING THE HOMELESS

The Housing (Homeless Persons) Bill aims to clarify the functions of local authorities with respect to people who are homeless or are threatened with homelessness and to provide for assistance from public funds to be made available to voluntary organisations concerned with homelessness. The Bill was introduced into the House of Commons by a private member, Mr Stephen Ross, and had its second reading on 18 February (*Hansard*, cols 896-998). The Government – which was committed to introducing its own legislation on homelessness when parliamentary time permitted – welcomed the Bill and pledged support for it.[1]

There is at present no legislation specifically related to homelessness, although under the National Assistance Act 1948 local social services authorities are responsible for providing temporary accommodation in certain types of emergency. Following a Government circular issued to local authorities in England and Wales in 1974 (*Homelessness*, HMSO 15p, ISBN 0 11 750777 6), many authorities now accept a much wider responsibility: the most recent statistics indicate that in the year to June 1976 some 30,000 homeless households were placed in permanent accommodation by local authorities, and at the end of the period a further 6,700 were in temporary accommodation.

The Bill follows generally the recommendations contained in the 1974 circular and is designed to give them statutory force. Its main principles are that homelessness is primarily a housing problem and that responsibility for providing accommodation must rest with local housing authorities, although social services departments should continue to provide supporting services. The general approach to the problem should be a co-operative one – both between departments within a single local authority and between local authorities. It also recognises that among the homeless there are some groups whose housing needs are particularly urgent, and it provides powers for the Secretary of State for the Environment to prescribe circumstances in which homeless people are to be regarded as having a priority need for accommodation. For these groups local housing authorities would be required to ensure that accommodation was, and would continue to be, available. For other groups they would be required to provide advice and assistance.

Speaking in the second reading debate, Mr Ernest Armstrong, Parliamentary Under-Secretary of State for the Environment, said that discussions had been taking place over the past two years between his department and local authorities and voluntary organisations. 'We see the attack on homelessness', he said, 'as an integral part of a housing authority's comprehensive responsibilities. ... Our objective must be to seek to ensure that housing policy and practice respond to the essential social needs within our community. I believe that this measure represents a major step forward to this end.'

NEW FORMS OF HOUSING TENURE

Plans for a pilot programme in new forms of housing tenure, designed for people seeking homes at a level between owner occupation and council housing, were announced in February by the Housing Corporation which, early in 1976 (see pp 88-9, 1976), accepted the Government's invitation to set up a specialist unit to sponsor and advise housing co-operatives.

The project covers two types of co-operative scheme: co-ownership and community leasehold. The former will comprise about 1,000 units in small developments of 40 to 50 houses and flats in various parts of the country. It is hoped that two-thirds of the capital cost will be financed by building society and Housing Corporation mortgages and one-third by Government grants from the allocation available as direct subsidy to registered housing associations. The main features of the scheme are: collective ownership and responsibility for manage-

[1]The Government did not support the Bill's extension to Scotland, where the recommendation has been accepted that primary responsibility for securing accommodation for the homeless should be with housing authorities and where a working party has been set up by the Convention of Scottish Local Authorities. In the Government's view it is more important in Scotland to support this work than to introduce legislation. Mr Ross said that he had included Scotland because of the many representations he had received.

ment; a rent which reflects the benefit of option mortgage relief (a system by which borrowers receive a subsidy in the form of a reduced rate of interest on their mortgage); a home without the need to raise an individual mortgage; and a lump sum payment, linked to the increase in value of his home, when the occupier moves.

The community leasehold pilot programme will consist of homes where the occupier will buy an individual lease for a proportion (initially set at 50 per cent) of the total value of the home and will benefit from its increased value when he leaves. That part of the costs not raised by the occupier's contribution (whether in the form of a mortgage or a lump sum) will be covered by public funds and the occupier will pay a rent for this portion.

Both schemes will be financed within the existing public expenditure cash limits.

DOCUMENTATION

(Documentation excludes publications referred to in Survey articles)

Government and Administration

The Monarchy in Britain. COI, R5526/77.

The Monarchy. COI, FSB/B11.

United Kingdom Government Ministers. COI, SN5657/77/2.

The Central Government of Britain. COI, R5564/76.

A Register of Dependants. Report of the Parliamentary Group on the feasibility and usefulness of a Register of Dependants. (Cmnd 6698. HMSO, 60p. ISBN 0 10 166980 1.) In a statement on the conclusions of the group set up under the chairmanship of Lord Franks to consider a register of immigrants' dependants (see p 303, 1976) Mr Merlyn Rees, the Home Secretary, said that the only feasible scheme would be discriminatory, would be incomplete in coverage, would involve long delay in implementation and would be expensive; and it was clear that it could give no certainty about future numbers. The Government's view was that such a register would not be desirable, practicable or likely to serve the purposes intended. Mr Rees said that new immigration rules would shortly be made to deal with marriages of convenience aimed solely at achieving entry or avoiding removal. Methods of ensuring that all applicants for employment were entitled to take it would be discussed with industry and the extent of overstaying was being investigated (*Hansard*, 9.2.77, cols 1433-42).

External Affairs and Defence

Extradition Treaty between . . . the United Kingdom . . . and . . . the United States . . . (together with Exchange of Notes extending the Treaty to Certain Territories). Cmnd 6723. HMSO, 25p. ISBN 0 10 167230 6.

Agreement between . . . the United States of America and . . .[European Partners] . . . concerning the . . . use of a Space Laboratory in conjunction with the Space Shuttle System. Cmnd 6714. HMSO, 25p. ISBN 0 10 167140 7.

Agreement between the United Kingdom . . . the European Atomic Energy Community and the International Atomic Energy Agency for the application of Safeguards in the United Kingdom . . . in connection with the Treaty on the Non-Proliferation of Nuclear Weapons. This agreement follows from an undertaking, given in 1967, that Britain would submit its nuclear industry to the application of international nuclear safeguards. Following its ratification of the 1968 Non-Proliferation Treaty (NPT) Britain, as a nuclear weapons state, was not obliged to accept International Atomic Energy Agency safeguards, but its offer was maintained in order to demonstrate that Britain was not using the NPT for commercial gain. Britain's entry into the European Atomic Energy Community (Euratom) on 1 January 1973 meant that the implementation of its offer required the negotiation of a safeguards agreement involving Euratom as well as Britain and the International Atomic Energy Agency. Cmnd 6730. HMSO, 60p. ISBN 0 10 167300 0.

Britain in the European Community, 1977. COI, Factel No 674.

Economic and Scientific Affairs

Measures to Strengthen the British Economy. COI, SN6020.

Inland Revenue. 119th report of the commissioners for the year ended 31 March 1976. Cmnd 6734. HMSO, £1. ISBN 0 10 167340 X.

Public Expenditure. The second volume of the Government's latest White Paper on public expenditure was published on 25 February (the first volume was published in January – see pp 63-6). It describes in more detail the expenditure programmes summarised in the first volume and contains some supporting analyses. These include a description of the nationalised industry investment programmes to 1980-81 and of the way these are expected to be financed from internal and other sources in the period to 1977-78.

The tables for individual programmes show the revised programmes for 1977-78 and 1978-79, taking account of all the changes made since the 1976 White Paper (Cmnd 6393). The figures for 1978-79 are to be reviewed in the 1977 Public Expenditure Survey. The figures for 1979-80 and 1980-81, which were not included in the first volume, are those which emerged from the 1976 Survey but which were not reviewed in the light of the developments which led to the Chancellor of

the Exchequer's statement on 15 December (see pp 22-6). The extent of any consequential adjustment to total public expenditure and its implications for individual programmes in these years have still to be considered, and these figures will be reappraised in the 1977 Survey. The White Paper gives no projections for 1979-80 and 1980-81 for Government lending to nationalised industries, debt interest or the contingency reserve. *The Government's Expenditure Plans,* Volume II. Cmnd 6721-11. HMSO, £2·35. ISBN 0 10 167212 8.

Customs Duties (Dumping and Subsidies) Act 1969. Annual Report by the Secretary of State for Trade for the year ended 31 March 1976. HMSO, 25p. ISBN 0 10 209077 7.

Department of Employment/Manpower Services Commission. Research 1975-76. HMSO, £1·40. ISBN 0 11 361088 2.

Health and Safety: Industry and Services 1975. A report of the work of HM Factory Inspectorate incorporating the annual reports of HM Inspector of Railways and HM Inspector of Explosives. Health and Safety Executive. HMSO, £2. ISBN 0 11 881112 6.

New Earnings Survey 1976. Department of Employment. Part A. Report and key results. HMSO, £1·50. ISBN 0 11 723803 1. Part D. Analyses by occupation. HMSO, £1·50. ISBN 0 11 723805 8. Part E. Analyses by region and age-group. HMSO, £1·50. ISBN 0 11 723806 6. (See also p 447, 1976 and p 42.)

Monopolies and Mergers Commission. Report on the existing and contemplated mergers between Babcock and Wilcox Ltd and Herbert Morris Ltd. Three members of the commission held that the mergers might be expected to operate against the public interest but two members, including the chairman of the commission, concluded that they might not. House of Commons Paper 175. HMSO. 91½p. ISBN 0 10 217577 2.

The Secretary of State for Industry, who has discretionary power to act in such a case, has stated that he does not intend to intervene to prohibit the contemplated merger of the two companies or to require Babcock to reduce its existing shareholding in Morris. Department of Industry press notice 69, 4.3.77. Obtainable from 1 Victoria Street, London SW1H 0ET.

Monopolies and Mergers Commission. Report on Diazo Copying Materials. The report on the supply in Britain of copying materials sensitised with diazonium compounds found that a monopoly situation existed in favour of Ozalid Group Holdings Ltd on the ground that the company supplied more than 25 per cent (in 1974-75 over 50 per cent) of the materials. It also appeared that a complex monopoly situation might exist because Ozalid and three other principal manufacturers together supplied at least 25 per cent (in 1974-75 over 90 per cent) of all the diazo copying materials supplied in Britain and so conducted their respective affairs as to restrict or distort competition by charging the same or similar list prices and offering the same or similar discounts. House of Commons Paper 165. HMSO, £1·60. ISBN 0 10 216577 7.

The Minister of State for Prices and Consumer Protection, Mr John Fraser, said in reply to a parliamentary question on 2 March, that the existence of unregistered agreements revealed by the report was viewed seriously by the Government. None of the agreements, registerable under the Restrictive Trade Practices legislation, had been registered with the Office of Fair Trading. *Hansard,* written answers, cols 191-3.

Eurocanadian Shipholdings Ltd. Following the announcement in the House of Commons on 14.10.76 (see p 447, 1976) that the mergers between Eurocanadian Shipholdings, Furness Withy and Manchester Liners might be expected to operate against the public interest, the Minister of State for Prices and Consumer Protection, Mr John Fraser, said in reply to a parliamentary question that Eurocanadian Shipholdings is to reduce its holdings in Furness Withy and will not increase its holdings in Manchester Liners. *Hansard,* 17.2.77, written answers, col 345.

Some Recent Advances and Developments in Britain. COI, R5656/24.

Regional Development Programme for the United Kingdom. An abridged version in three parts of a preliminary statement on Britain's regional programme which has been produced to serve as a background for applications to the European Community's European Regional Development Fund. *Trade and Industry,* 11.2.77, 18.2.77, 25.2.77.

The Main Industries. COI, FSB/D3.

Agricultural Engineering. COI, FSI/19.

Fertilisers. COI, FSI/21.

Non-ferrous Metals. COI, FSI/24.

A Guide to Government Information and Advice for Construction Exporters. A revised guide which describes the services which construction exporters can obtain from different parts of Government and certain export orientated bodies within the industry. Copies are available from the Department of the Environment, Construction Exports Division, Room 54/15, 2 Marsham Street, London SW1P 3EB.

Ministry of Agriculture, Fisheries and Food. Research and Development 1975. HMSO, 90p. ISBN 0 11 241098 7.

Food Quality and Safety: a Century of Progress. Proceedings of the Symposium celebrating the Centenary of the Sale of Food and Drugs Act 1875 .... HMSO, £5. ISBN 0 11 240626 2.

Britain's Offshore Oil and Gas. COI, SN6018.

Offshore Equipment. COI, FSI/42.

Advisory Council on Energy Conservation. Paper 5 – Road Vehicle and Engine Design: short- and medium-term considerations. Energy Paper No 18. Department of Energy. HMSO, £1·75. ISBN 0 11 410297 X.

The SGHWR Programme. First report from the Select Committee on Science and Technology, Session 1976-77. Considers the Government's programme for developing the Steam Generating Heavy Water Reactor (SGHWR) as the next nuclear reactor system (see pp 280-1, 1974). HMSO, £1·35. ISBN 0 10 208977 9.

Dounreay Fast Reactor. The small experimental fast reactor at Dounreay (Highland), which came into operation in 1959 and has been used to develop the technology of fast breeder reactors and to serve as an irradiation testing reactor for advanced fuels and reactor components, will be closed on 23 March. Its role is being assumed by the larger 250-megawatt prototype fast reactor at Dounreay, which came into operation in 1974 and has been supplying electricity to the national grid since 1975. United Kingdom Atomic Energy Authority press notice, 7.3.77.

British Airways. COI, SN5969.

Air Travel Reserve Fund Agency. Report and Accounts 1975-76. HMSO, 60p. ISBN 0 11 887500 0.

Road Accidents. Great Britain 1975. HMSO, £3·50. ISBN 0 11 550417 6.

Central Transport Consultative Committee for Great Britain. Annual report for the year ended 31 December 1976. HMSO, 60p. ISBN 0 10 212277 6.

Industry and Scientific Research. Select Committee on Science and Technology (Science Sub-committee). Minutes of Evidence. HMSO, £7·10. ISBN 0 10 008046 4. Memoranda. HMSO, £3·10. ISBN 0 10 008056 1.

10th Report, Select Committee on the European Communities. EEC Research and Development Policy R/1203/76. Draft Multi-Annual Research Programme (1977-80) for the Joint Research Centre. HMSO, £1. ISBN 0 10 404677 5.

Marine Information and Advisory Service. A Marine Information and Advisory Service (MIAS) has been set up in the Natural Environment Research Council's Institute of Oceanographic Sciences to help any organisation or private individual concerned with the marine environment; the costs of this service are borne by the Departments of Industry and Energy. Address: MIAS, Institute of Oceanographic Sciences, Wormley, Godalming, Surrey GU8 5UB. NERC press notice, 8.3.77.

Environmental Mercury in Man. A report of an Inter-Departmental Working Group on Heavy Metals. This discusses possible hazards from pollution by mercury in Britain and concludes that the situation is in general reassuring but that it is prudent to keep human intake of mercury as low as possible. Action already taken to this end includes recent reductions in the use of mercury in certain applications (such as in the chloralkali industry, in paints and in agriculture), the more rigorous control of emissions and extension of monitoring and research. Department of the Environment Pollution Paper No 10. HMSO, £1·40. ISBN 0 11 751118 8.

Social and Cultural Affairs

Bill of Rights. The House of Lords is to set up a select committee to consider whether a Bill of Rights is desirable and, if so, what form it should take. A private member's Bill of Rights Bill which received a second reading in the House will not be proceeded with until the select committee has reported. *Hansard* (HL), 3.2.77, cols 973-1022.

Scottish Law Commission. Eleventh Annual Report. 1975-76. HMSO, 70p. ISBN 0 10 211177 4.

Criminal Law Revision Committee. Thirteenth Report: Section 16 of the Theft Act 1968. Section 16 deals with the crime of obtaining pecuniary advantage by deception. Cmnd 6733. HMSO, 60p. ISBN 0 10 167330 2.

Parole in England and Wales. Home Office Research Study No 38. HMSO, £1·75. ISBN 0 11 340678 9.

Social Security in Britain. COI, R5455.

British Association for Disability and Rehabilitation. Two voluntary organisations, the Central Council for the Disabled and the British Council for the Rehabilitation of the Disabled, are to merge and form a new national association to be called the British Association for Disability and Rehabilitation. Department of Health and Social Security press notice, 23.2.77.

Education in Britain. COI, R4751.

Statistics of Education in Wales. HMSO, £3. ISBN 0 11 790083 4.

Ten Good Schools: A Secondary School Enquiry. A discussion paper by Her Majesty's Inspectorate of Schools. HMSO, 75p. ISBN 0 11 270452 2.

Mathematics, Science and Modern Languages in Maintained Schools in England. An appraisal of problems in some key subjects by Her Majesty's Inspectorate of Schools. Available from the Department of Education and Science, Elizabeth House, York Road, London SE1 7PH.

Actors in Schools. Department of Education and Science, Education Survey 22. HMSO, £1. ISBN 0 11 270382 8.

Universities Central Council on Admissions, Fourteenth Annual Report, 1975-76. Published by UCCA, PO Box 28, Cheltenham, Gloucestershire GL50 1HY. 65p. ISBN 0 900951 23 0.

Inner Area Studies. As part of the Liverpool Inner Area Study, four further reports have been published: *Inner Area Play* (£1·15); *Adult Education* (50p); *Single and Homeless* (£1·10); and *Housing Management* (50p). Available from the Department of the Environment, Room P2/127, 2 Marsham Street, London SW1P 3EB.

Environmental Impact Analysis. (Department of the Environment Research Report 11.) A report, prepared for the Secretaries of State for the Environment, Scotland, and Wales, which surveys and evaluates techniques for measuring the environmental impact of large-scale development projects and makes recommendations about the introduction of such techniques into the planning system. Available from the Department of the Environment, Room P2/116, 2 Marsham Street, London SW1P 3EB. £1·86.

Greater London Development Plan. Modified plan approved by the Secretary of State for the Environment in July 1976 (see pp 490-1, 1975). Greater London Council. £2·30. ISBN 0 7168 0833 1.

Proposals to Amend the Laws Relating to Ancient Monuments. A consultation document, issued by the Department of the Environment, the Scottish Development Department and the Welsh Office, containing proposals for revising the Ancient Monuments Acts so as to widen their scope and give greater protection to monuments and archaeological remains. Free of charge from Ancient Monuments Secretariat, Room 311, Fortress House, 23 Savile Row, London W1X 2HE.

Nature Conservation and Agriculture. Report by the Nature Conservancy Council on the problem of reconciling wildlife conservation with modern agriculture. It calls for a positive rural land use strategy that takes account of nature conservation as well as the need for increased food production and other national requirements, and points out that all crops and domestic animals depend on wildlife, directly or indirectly. Nature Conservancy Council, 19/20 Belgrave Square, London SW1X 8PY. £1.

Welsh Television Channel. The Home Secretary repeated the Government's commitment to a Welsh television channel. Although money is not at present available to cover the necessary expenditure, discussions with broadcasters will be started as soon as possible so that the project can go ahead immediately it can be financed. *Hansard*, 25.2.77 written answers, cols 721-2.

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